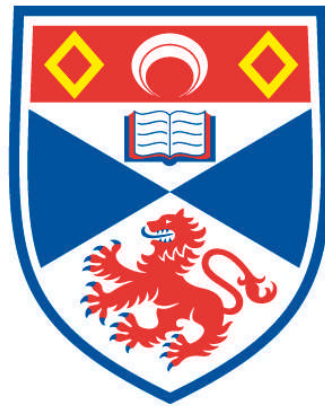


CICERO, MONEY AND THE CHALLENGE OF 'NEW TERRORISM' : IS COUNTER TERRORIST FINANCING (CTF) A CRITICAL INHIBITOR? SHOULD THE EMPHASIS ON FINANCE INTERVENTIONS PREVAIL?

Marc Parker

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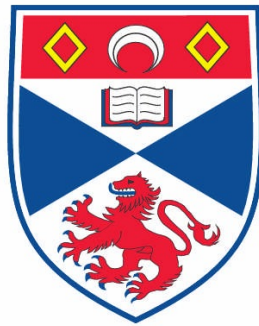
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“Cicero, money and the challenge of ‘new terrorism’: Is Counter Terrorist Financing (CTF) a critical inhibitor? Should the emphasis on finance interventions prevail?”

Marc Parker



This thesis is submitted in partial fulfilment for the degree of PhD
at the University of St Andrews

11 November 2013

Declarations

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I was admitted as a research student in September 2008 and as a candidate for the degree of PhD in September 2009; the higher study for which this is a record was carried out in the University of St Andrews between 2008 and 2013.

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Abstract

Much of the first generation literature on counter terrorist financing made sweeping generalisations and observations regarding these interventions based on relatively limited case study data. Given that the UK approach to counter terrorism clearly attests to the symbiosis between terrorism and money, this thesis evaluates the contemporary relevance of Cicero's aphorism that “*the sinews of war are infinite money.*” Drawing on a series of discussions and formal interviews with CTF practitioners into several of the most recent high profile terror attacks in the United Kingdom, it confirms a notable shift in terrorist financing methodology in recent years and underscores the trend towards increasing operational independence and financial autonomy. It thus considers the continuing centrality of money in the terrorism equation and has been framed specifically to examine the financing challenges posed by domestic terror cells in the UK, given the trend towards low cost terrorism with its emphasis on self sufficiency and the emergence of more discreet and ‘criminally sterile’ funding methodologies. This thesis is primarily concerned with reviewing the efficacy of the UK counter terrorism-financing (CTF) model as perceived by practitioners, both in policy terms and in the context of operational outcomes.

The increasing emphasis on new funding methodologies and the ensuing lack of visibility and opportunities for interdiction at the conspiracy phase of terrorist plots, further highlights the operational challenges posed for practitioners in confronting these ‘new’ threats. As such, this research encourages several new perspectives, including a review of UK corporate knowledge on previous CTF interventions and consideration of military ‘threat finance’ practice to deliver greater operational impact. In particular, it advocates a new focus on micro CTF interventions to address changes in the ‘economy of terror’. Finally, this thesis strongly attests to the continued relevance of finance or more specifically, the ‘financial footprint’ to inform and provide intelligence insight for counter terrorism responses generally. In doing so, it also considers the impact on privacy from increasingly intrusive financial and digital data collection and the trade-offs that inevitably emerge when liberty and security collide.

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I wish to thank my supervisor Professor Max Taylor for his enduring support, guidance and encouragement throughout. I would also thank Julie Middleton and Gillian Duncan at the CSTPV and those practitioners who generously gave their time to support this research.

Finally, I also express my sincere gratitude to my family for their patience, understanding and tolerance of this indulgence.

Glossary

Chapter 1

NATO – North Atlantic Treaty Organisation
UN – United Nations
EU – European Union
OSCE – Organization for Security Cooperation in Europe
G7 – Group of Seven
G8 – Group of Eight
UNSCR – United Nations Security Council Resolution
FRSB – FATF Style Regional Bodies
FIU – Financial Intelligence Unit
JTAC- Joint Terrorism Analysis Centre

Chapter 2

9/11 – Terrorist Attacks on the United States of America, 11 September 2001
CTF – Counter Terrorist Financing
AML – Anti Money Laundering
FININT – Financial Intelligence
US – United States of America
UK – United Kingdom
POCA – Proceeds of Crime Act 2002
MSB- Money Services Business
HMRC – Her Majesty’s Revenue and Customs
FSA – Financial Services Authority
KYC – Know Your Customer
CDD – Customer Due Diligence
FATF – Financial Action Task Force
ACPO – Association of Chief Police Officers
PIRA – Provisional Irish Republican Army

Chapter 3

WMD – Weapons of Mass Destruction
FLN – National Liberation Front (Algeria) – Front de Liberation Nationale

Chapter 4

SAR’s - Suspicious Activity Reports
OSCT – Office for Security and Counter Terrorism (Home Office)
SRO – Senior Responsible Owner
HMT – Her Majesty’s Treasury
FCO – Foreign and Commonwealth Office
CT – Counter Terrorism
TFAG – Terrorist Finance Action Group

MOD – Ministry of Defence (UK)
RICU – Research Intelligence Communications Office
NTFIU – National Terrorist Finance Investigation Unit (SO15 – Metropolitan Police Service)
K&R – Kidnap and Ransom
AQ – Al Qaeda
DWP – Department of Work and Pensions
DOD – US Department of Defense
AQAP – Al Qaeda Arabian Peninsula
RUC – Royal Ulster Constabulary
AQM – Al Qaeda Maghreb
SIGINT – Signals Intelligence
HUMINT – Human Intelligence
GEOINT – Geospatial Intelligence
IMAGINT – Image Intelligence
TFSR's – FATF Terrorist Finance Special Recommendations
UKBA – UK Border Agency
SDD – Simplified Due Diligence

Chapter 5

ETA – Euskadi Ta Askatasuna (*Basque Homeland and Freedom*)
UNDOC – United Nations Office of Drugs and Crime
US SOCOM – United States Special Operations Command
TFC – Threat Finance Cell
SNA – Social Network Analysis
MODA – Multi-Objective Decision Analysis
TF – Terrorist Financing
SOCMINT – Social Media Intelligence.

Introduction and Thesis Outline

“Cicero, money and the challenge of ‘new terrorism’: Is Counter Terrorist Financing (CTF) a critical inhibitor? Should the emphasis on finance interventions prevail?”

Much of the first generation literature on counter terrorist financing made sweeping generalisations and observations regarding these interventions based on relatively limited case study data.¹ Given that the UK approach to counter terrorism clearly attests to the symbiosis between terrorism and money,² this thesis evaluates the contemporary relevance of Cicero's aphorism that “*the sinews of war are infinite money.*”³ It therefore considers the continuing centrality of money in the terrorism equation and has been framed specifically to examine the financing challenges posed by domestic terror cells in the UK and the trend towards low cost terrorism⁴ with its emphasis on self sufficiency and the emergence of more discreet and ‘criminally sterile’ funding methodologies. This thesis is primarily concerned with reviewing the efficacy of the UK counter terrorism-financing (CTF) model, as perceived by practitioners and insider’s, both in policy terms and in the context of operational outcomes.

‘New Terrorism’ in the context of the research question refers to the shift towards decentralised, networked and increasingly autonomous and financially independent terror cells. Recent changes in the structure of terrorist groups have triggered further changes in the funding methodologies now employed by these entities. Though commonly acknowledged that CTF interventions will at best merely constrict the operational environment for illicit actors and disrupt their activities,⁵ this thesis considers several of the most recent terror attacks in the UK to determine the implications of the shift towards greater financial efficiency and independence. The increasing reliance on sterile funds or

¹ Biersteker, T. J. & Eckert S., (Eds), ‘*Countering the Financing of Terrorism*’ Routledge Publishers, 2007, p301

² HM Government was central to the establishment of the multi agency RUC Terrorist Finance Unit in 1988 to combat the threat from various Irish paramilitary/terrorist groups. Interview with Ex-RUC Detective, March 2013

³ Cicero, M. T., ‘*Phillippics 1–6, Vol. XVa, Cicero Orations*’ in ‘*Loeb Classical Library 18’9*’, trans. and ed. D.R. Shackleton Bailey, revised by Ramsey, J. T. & Manuwald, G., Cambridge, MA: Harvard University Press, 2010, p. 249

⁴ Napoleoni, L., ‘*The Evolution of Terrorist Financing Since 9/11: How the New Generation of Jihadists Fund Themselves*’ p. 13 Chapter 1 ‘*Terrornomic’s*’, Costigan, S. S. & Gold, D. (Eds.)

⁵ Levitt M., & Jacobson, M., ‘*The Money Trail: Finding Following and Freezing Terrorist Assets*’, Policy Focus #89, November 2008, p5

personal debt defaulting⁶ and the ensuing lack of visibility and opportunities for interdiction at the conspiracy phase of terrorist operations further highlights the challenges posed. Given that terrorist finance indicators or 'flags' may in future be more difficult to discern, this thesis examines the extent to which CTF remains a viable intervention option to combat these emerging resourcing methodologies. Indeed, in light of these developments, new metrics may be required in the future to more accurately reflect success, beyond those that traditionally focus on funds seized or networks dismantled,

The first three chapters provide the context for the thesis, extending the discussion by addressing the rationale behind current policy and operational choices. The framework for the field research in Chapter Four has been heavily influenced by the UK template to combat Irish Terrorist Group financing, advocating a counter terrorism approach based on “*intelligence, joint working, combined strategies and legitimacy.*”⁷ Finally this thesis has sought to elicit new ideas and perspectives to shape and inform future responses to terrorist financing.

Globalisation, in this context, understood as the widening, deepening and speeding up of global interconnectedness,⁸ is central to any assessment of the efficacy of counter terrorist financing interventions. In Chapter One, the scale of global economic integration is acknowledged as well as the opportunities that have emerged for the concealment of criminal activity in the mass of legitimate financial data transacted digitally. It considers whether globalisation has forced terrorist organisations to react to a regime of enhanced regulation and scrutiny and by default, spawned changes in structural configuration, thus depriving CTF practitioners of the ease of targeting centralised monolithic structures and their respective finance silos.

This chapter also provides context for those multilateral counter terrorist finance programmes that have evolved and considers their value at a 'macro' level in terms of international cooperation, financial governance and the impact of globalisation. The US and UK governments in particular, have developed multilateral and bilateral networks to

⁶ See Thesis Chapter 5, regarding Operations ‘Crevice’, ‘Theseus’ and ‘Overt’.

⁷ House of Commons NIAC Report- ‘*The Governments’ Response*’ in *The Financing of Terrorism in Northern Ireland*’ p28, para.86, Fourth Report Vol.1, July 2002

⁸ Held, D., & McGrew, A. ‘*Globalisation/Anti-Globalisation; Beyond the Great Divide*’, p1, Polity Press, 2007

counter the threats posed by networked terrorism. The UK response to CTF is therefore assessed in terms of multilateral engagement and specifically transatlantic cooperation and the “special relationship” between the United Kingdom and the United States. The impact of broader transatlantic cooperation between the US and Europe in recent years is further examined. The desire to consolidate the role of Inter-Governmental Organisations (IGO's) such as the Financial Action Task Force (FATF), the European Union and the United Nations in harnessing international acceptance of the AML/CTF regime⁹ and fostering greater cooperation across a range of sectors has been one of the most active fronts in the war on terrorist financing. As such, Chapter Two considers whether this 'regime' of financial governance has arrested some of the perceived asymmetrical advantages from 'new' terrorist groups.

Chapter Two considers the literature on the financial responses to terrorism. It reflects on the primacy of anti money laundering techniques borrowed largely from efforts to combat organised crime and includes an assessment of their relevance for the purposes of CTF and whether their value has been overplayed. This Chapter thus provides context for current UK responses to terrorist financing, many of which have their origins in the chaos which followed the 9/11 attacks and considers whether a “*parallel universe*”¹⁰ emerged built on key assumptions that focused on addressing terrorism in the context of crime and which accounts for the UK policy emphasis on criminalising the financing of terror. Despite developing similarities in both phenomena, this chapter seeks to frame current operational choices and to determine whether policy makers and law enforcement should continue to borrow heavily from the financial crime tool kit, given recent changes in terror cell funding methodology.

Organisational structure is considered in Chapter Three. Crucially, decisions around organisational design, adaptation and composition are often influenced and determined by the sources of funding for such groups. From a UK perspective, the core mandates governing CTF have acknowledged this and have focused primarily on targeting organisational infrastructure.¹¹ Indeed, several commentators¹² have elevated structural

⁹ 'AML' refers to Anti Money Laundering measures employed by regulators and law enforcement agencies.

¹⁰ Warde, I., *The Price of Fear: The Truth Behind the Financial War on Terror*, University of California 2007, p.xv

¹¹ *UK Strategy for Countering International Terrorism* March 2009, Crown Copyright, p74,

¹² Sageman, M. *Leaderless Jihad: Terror Networks in the Twenty First Century*.” University of Pennsylvania Press,

composition, as a key variable in the construction of counter terrorism strategies and tactics. Thus any changes to how such entities are organised has significant implications for those seeking to combat the financing of terror. The extent to which structure is central to CTF is therefore explored in detail as this Chapter reflects on the social organisation of terrorism and reviews the literature on 'new terrorism' and recent changes in the economy of terror.

UK terrorist finance efforts have therefore been framed on the basis of conventional assumptions regarding the nature and structure of terrorist organisations generally. It is precisely the structural organisation of 'new terrorism' that is most relevant to CTF assessments of efficacy. The shift towards, autonomous, financially independent cells and the emergence of new micro financing methodologies have changed the terrorist financing landscape. The 'top-down/bottom-up' debate which emerged between Sageman and Hoffman¹³ is discussed and assumes further significance when assessed in the context of CTF. Thus Chapter Three frames the key issue underpinning this thesis, namely the extent to which current approaches to CTF are 'fit for purpose' in addressing new terrorist structures and new patterns of terrorist group funding¹⁴ and particularly those employed by domestic jihadists groups in the UK.

Chapter Four provides analysis of the outcome of the interview sessions with policy officials and practitioners. The research design acknowledges that CTF programmes typically comprise three distinct yet inter-related pillars¹⁵ and that effective CTF requires a coalition of different disciplines including intelligence gathering, financial regulation, law enforcement and private sector cooperation. This requires engagement at the 'macro' level in the form of strategic direction by the Executive and further government intervention in the shape of asset freezing, sanctions and financial regulations. The second pillar targets the use of financial data for intelligence purposes, through a coordinated system of collection, development and analysis with the role of private actors and institutions increasingly

2007 and Shapiro, J., 'Organizing Terror: Hierarchy and Networks in Covert Organizations', Stanford University, 23 August 2005, Preliminary Draft, www.teachingterror.net/resources/shapiro accessed 1 July 2013.

¹³ Sageman, M., Op. Cit. & Hoffman. B., 'The Myths of Grass Roots Terrorism: Why Osama Bin Laden Still Matters' www.foreignaffairs.org, May 2008

¹⁴ Acharya, A., 'Small Amounts for Big Bangs: Rethinking Responses to Low Cost Terrorism', Journal of Money Laundering Control, 12.3 2009, p286

¹⁵ Buckley P. D., & Meese M. J., 'The Financial Front in the Global war on Terrorism' in Howard R & Sawyer R., (Eds) 'Defeating Terrorism: Shaping the New Security Environment', New York, McGraw Hill, 2004, p51-61

central to this function. The final component largely concentrates on exploiting financial crime through law enforcement activity and criminal prosecutions.

Chapter Four focuses on these pillars and develops the theoretical framework on which this thesis is based by targeting four main areas of interest; '*Structures, Policy and Strategy*', '*Operational Effectiveness*', '*CTF Assets*' and '*Future Challenges, Vulnerabilities and Opportunities*'. The first, '*Structures, Policy and Strategy*' considers the structural and policy framework which shapes current UK CTF strategy and those structures, narratives and assumptions that dominate current public policy. It focuses specifically on the choices that confront CTF practitioners and the merits of interdiction and disruption, when set against the 'follow the money' doctrine which has emerged as a dominant philosophical driver in recent years. The second, '*Operational Effectiveness*' is addressed in the context of the former and specifically in terms of whether the government's apparatus, tools and powers for intelligence, investigation and disruption can deliver impact both domestically and internationally. It looks at changes in the "economy of terror" and considers these in terms of the operational challenges emerging from home-grown groups in the UK in recent years. The third area focuses on evaluating key '*CTF Assets*' and the contribution of public/private partnerships in combating the financing of terrorism and their perceived assumption of "*proxy sovereign*" status in discharging their role.¹⁶ Obvious questions emerge from these arrangements around notions of synergy implicit within these partnerships. The dynamics of multi-agency cooperation are assessed as the research seeks to determine the extent to which the involvement of multiple independent agencies enhances broader CTF efforts. Financial intelligence (FININT) receives particular attention, both in terms of evaluating its operational utility and also when set against the perceived challenges to personal liberty that emerge from new collection methodologies. The final sphere of research activity focuses on the "*Future Challenges and Vulnerabilities*" that are likely to dominate the CTF agenda in the years ahead. It considers the emerging international and domestic threats and the policy and operational balance of strategic and tactical interventions. Given the frugality and financial independence characteristic of recent attack cells, it considers where the operational balance should now lie in terms of macro and micro solutions.

¹⁶ de Goede, M., '*The Politics of Preemption and the War on Terror in Europe*', *European Journal of International Relations*, Vol. 14, No 1, March 2008, p161-179

Chapter Five reflects on the principal themes emerging from the fieldwork sessions. It considers the analysis highlighting the financing challenges posed by domestic attack cells in the UK and contemplates a scenario where operational impact from CTF may in the future be increasingly confined to financial intelligence dividends derived from post incident evaluations, rather than tactical interventions at the conspiracy phase. In reviewing this theme, it contemplates whether new measures might be required in future to close down the operational space for home-grown extremists by evaluating several high profile terrorist finance investigations in the UK. This includes an analysis of the funding methodologies employed by domestic attack cells to support Operation Crevice (2004) Theses (2005) Overt (2006) and Seagram (2007). This analysis further informs the second key theme from the empirical research; the implications of the shift towards legitimate personal funding and the primacy of greater financial independence and autonomy.

Furthermore, new military perspectives on 'threat finance' operational practices are also considered and particularly new analytical tools for intelligence and insight purposes. This theme is addressed by evaluating 'Threat Finance' programmes to combat insurgent financing in Afghanistan specifically and whether as a result, new perspectives are likely to emerge from wider inter agency facilitation and integration to shape CTF Strategy in the UK. In addition, the potential parallels with Irish terrorist financing are also discussed in the context of the potential 'transferability' of CTF methodologies to impact the micro financing platforms used recently by domestic jihadist groups.

This chapter also examines the increasing emphasis and reliance on financial intelligence as a result of developments in data surveillance and digital media. The extension of financial intelligence (FININT) collection by law enforcement and intelligence agencies however, has resulted in unintended consequences for the individual and their relationship with the state and this chapter considers the underlying challenges in reconciling liberty and security as a consequence of more intrusive data harvesting.

In the final chapter, this thesis acknowledges CTF as a collective action issue requiring high levels of coordination and cooperation among different agencies at both national and international level. It addresses CTF in the broadest terms by considering the structures and

dominant narratives that have shaped UK policy and strategy and challenges the centrality of finance interventions to combat new international and domestic threats. It is primarily the discourse around these themes and ideas from the interview sessions that consolidates and contributes to our collective knowledge and understanding of CTF as an enduring and viable operational asset. It documents the flexibility and organic nature of CTF to respond to changes in the operational environment and to address new structural manifestations of terrorism through the continued use of strategic 'macro' interventions or 'micro' tactical measures, depending on the context. This thesis therefore highlights the investigative challenges posed by increasingly autonomous and financially independent terror cells and predicts the future emphasis on FININT as a core intelligence asset to impact counter terrorism generally. Above all it advocates 3 key areas for further development and research.

- Enhanced understanding of potential micro financing methodologies and greater emphasis on micro financing interventions to address 'discreet' finance generation.
- Greater consideration of military perspectives from 'Threat Finance Cell' modelling and greater use of both qualitative and quantitative tools for intelligence analysis and insight.
- Continued emphasis on financial and digital data collection to provide visibility on future potential funding platforms and opportunities for wider counter terrorism targeting and application.

CHAPTER ONE

“Shaping the UK Approach to Counter Terrorist Financing: International Cooperation, Financial Governance and Globalisation.”

The United Kingdom is considered more vulnerable than at any time in her history and faces a myriad of threats from states and non-state actors; terrorists, home-grown or overseas; insurgents and criminals and all as a result of an increasingly networked global environment.¹⁷ As such, greater emphasis has been placed on multilateralism and international cooperation in recent years. The UK's National Security Strategy (2010) defines the international context in which Britain pursues its interests through a commitment to collective security. This is discharged through a rules based international system and key alliances, notably and primarily with the US and through reformed international institutions including NATO as the anchor of transatlantic security and also through its partnership with the European Union.¹⁸ The UK approach to CTF will therefore be considered within the context of these wider international efforts to prosecute the financial war on terror.

This Chapter examines the value of counter terrorist financing interventions at a 'macro' level and specifically in terms of those instruments and assets that emerged from enhanced international cooperation and financial governance. It also reflects on the 'double-edged' impact of globalisation to simultaneously enhance and yet potentially inhibit CTF efforts. Indeed understanding CTF in these terms is essential to determine the value of finance interventions to deliver impact across the terrorism spectrum. It will specifically consider the current international CTF architecture which criminalises the financing of terrorism and its capacity and resilience to respond to enhanced global economic integration and changes in the dynamics of the criminal and terrorism economy as a result. This Chapter will also examine whether globalisation has allowed terrorist organisations to take advantage of a highly regulated financial system by stimulating new discreet funding methodologies. Finally it considers emerging asymmetric security threats in the UK¹⁹ and questions the

¹⁷ 'The National Security Strategy' October 2010, p3, HM Government, Crown Copyright 2010

¹⁸ Ibid, p10

¹⁹ Clarke M., & Soria, V., 'Terrorism in the UK: Confirming its Modus Operandi', RUSI Journal, Vol 154, Issue 3, June 2009

efficacy of those ‘macro’ CTF interventions, the product of trans-governmental consensus on financial governance, to impact the threat from ‘new terrorism’.

Prior to the 9/11 attacks, the prevailing view that emerged was of Washington’s almost institutionalised predisposition for unilateralism and its corresponding disdain for multilateral processes and institutions.²⁰ These events however, provided the catalyst for a new era of international cooperation. A new consensus emerged around the universal destruction of terrorist networks.²¹ This consensus was soon translated into diplomatic and military activity as Washington sought to establish a broad and indeed global coalition against terrorism. Thus by early 2003, there were 70 countries supporting the military “war on terror” in Afghanistan, 160 countries working to freeze terrorist funds and 90 states cooperating in law enforcement and intelligence sharing. Furthermore, virtually every multilateral institution – the United Nations (UN), European Union (EU), Organization for Security and Co-operation in Europe (OSCE), North Atlantic Treaty Organisation (NATO), G-7 and G-8 linked their own counter terrorism agenda's to this campaign.²²

Central to these developments were the measures introduced to combat the financing of terrorism. Indeed, the genesis and centrality of counter terrorist financing as a concept gathered momentum following the passage of US Executive Order 13224 in September 2001. Much of subsequent UK, European and indeed policy on counter terrorism generally also reflects those templates framed in the US Executive Order 13224 was quickly followed by UN Security Council Resolution (UNSCR) 1373 which required states to criminalise active or passive support for terrorists, freeze suspected terrorist funds, share operational information and provide technical assistance to enhance multilateral cooperation in countering the financing of terror.²³ UNSCR 1373 also established the UN Counter Terrorism Committee to implement its provisions. The operational realisation of these mandates however, would be constrained by the limited capacity of some states to implement this new counter terrorism template.

²⁰ Luck E. C., ‘*The US, Counterterrorism and the prospects for a Multilateral Alternative*’ p74, Boulden, J. & Weiss, T. G. (Eds) ‘*Terrorism and the UN: Before and After 9/11*’ 2004, Indiana University Press

²¹ This was spawned following the US Presidential Address to a Joint Session of Congress, 20 September 2001.

²² von Hippel, K., ‘*Terrorism and the UN: Before and After 9/11*’ p102, Boulden, J. & Weiss, T. G. (Eds), Indiana UP 2004

²³ Biersteker T. J., & Eckert S., (Eds), Op. Cit. p236

In the quest to acquire an understanding of the UK model for countering terrorist financing, an appropriate evaluation baseline is essential. As the principal ally of the United States, comparisons have inevitably been drawn between the panoply of measures introduced by the Bush administration and those enacted by the UK government. The UK had borrowed heavily from the US in shaping its public policy on counter terrorism. Indeed, the four separate pillars, which comprise 'CONTEST'²⁴ bear strong similarities to the Bush administration's 2003 "National Strategy for Combating Terrorism." Thus any assessment of broader UK counter terrorism frameworks should be considered against those policy assumptions and programmes emerging from the US.

Following 9/11, numerous governments have been forced to confront a reconfigured security landscape and to proffer revised strategies for domestic and international security. British foreign policy, which had for decades sought to strike a balance between the US and Europe, has since 9/11 seen a resurgence and redefinition of the US-UK 'special relationship'. Dumbrell²⁵ cites various explanations for the longevity of this relationship, not least the subtle effects of a shared culture. Particular emphasis however, is accorded to the conscious decisions of a Blair government and the personal leadership style and convictions of the Prime Minister himself. In essence as homage to the 'special relationship', a harmonisation of language and action emerged around key aspects of Britain's counter terrorism and security policy.

Historians may conclude that 9/11 witnessed a renaissance in the 'special relationship' with the US. As the UK government sought to deal with the implications of the attacks, the introduction of the Anti-Terrorism, Crime and Security Act 2001 consolidated CTF as a significant issue for UK law enforcement and intelligence agencies and embraced many of those key provisions in the US Patriot Act 2001.²⁶ Many of these were controversial and soon accusations emerged that the UK government, in an effort to demonstrate solidarity with the US, was rushing through flawed and poorly drafted legislation that lacked the appropriate parliamentary scrutiny.²⁷ Whilst a cursory assessment would indicate that the

²⁴ 'UK Strategy for Countering Terrorism' First Report 2006, Home Office

²⁵ Dumbrell, J., 'The US-UK Special Relationship: Taking the 21st Century Temperature', British Journal of Politics and International Relations, Vol.11 Issue 1, February 2009 and Dumbrell, J., 'A Special Relationship' Manchester University Press, 2004

²⁶ Anti Terrorism, Crime and Security Act 2001, (UK) Parts One & Two

²⁷ Dorman, A., 'The Loyal Ally: the United Kingdom' p69 in Buckley, M., 'Global Responses to Terrorism: 9/11,

scale and reach of those wider homeland security measures introduced in the US have not been replicated to the same extent on this side of the Atlantic, various factors are cited in defence of this stance. Crucially, the UK unlike their US counterparts was not starting from a zero baseline. Indeed, thirty years of dealing with Northern Irish related terrorism had conferred important advantages in reacting to the 'new terrorism' that emerged post 9/11. Nowhere was this more apparent, than in understanding the centrality of counter terrorist finance measures to attack terrorist group infrastructure and military operations. It was naturally assumed that these principles and operational procedures could be readily applied to confront the emerging jihadist threat. As a result, there were no sweeping structural changes introduced to mimic those established in the US. Moreover, because of its extensive domestic experience in confronting Irish terrorism, the UK had acquired a comprehensive range of domestic terrorist legislation. This had recently been revised and reinforced with the Terrorism Act 2000 and included extensive measures targeting terrorist finances. By contrast, the US had never before faced a sustained terrorist threat of any significance either transnational or domestic. Not surprisingly therefore, the events of September 2001 prompted a paradigm shift in the US conception of national security and wider counter terrorism collaboration and it is against this backdrop, that the UK approach to counter terrorist financing should be examined.

Towards a Regime of Financial Governance

In the post 9/11 environments, several global initiatives and programmes were established to frustrate the endeavours of those committed to generating funds for the purpose of terrorism. These initiatives provided the basis for what some commentators observed as an evolving regime of global financial governance.²⁸ The extent to which international cooperation contributed to this regime is difficult to assess given the dearth of academic literature on the matter. As such, an empirical and descriptive bias tends to predominate.

Countering the threat from international terrorism brought a new dimension to transatlantic security cooperation, particularly in terms of establishing a common CTF agenda. For

Afghanistan and Beyond (Ed). Routledge, 2003

²⁸ Giraldo J., & Trinkunas, H. A., '*Terrorism Financing and State Responses: A Comparative Approach*,' Stanford University Press, 2007

some, the ‘special relationship’ between the US and the UK was subsumed within a broader US – EU partnership. This cooperation however, has a rich heritage and is the product of sustained security collaboration since the Second World War. This relationship gathered further momentum during the Cold War period as a new security agenda emerged in response to new threats and challenges. These issues were largely non-military in nature and included transnational drug trafficking and most notably the threat from various European terrorist groups in the 1970’s and 80’s. Significantly, these challenges transcended both domestic and foreign policy and blurred the hitherto relatively clear distinction between internal and external security. The transnational dimension to this criminality was particularly onerous, as nations had largely configured their state apparatus in accordance with a unitary jurisdictional template. These challenges now required a paradigm shift to reflect the transnational nature of the threat and required greater multinational law enforcement and judicial cooperation.

This new security agenda was defined most by the nascent threat from international terrorism. The ensuing US declaration of a “war on terrorism” cemented this threat as a cornerstone of transatlantic security relations. For Rees²⁹ this presented unique challenges to the transatlantic relationship, not least because terrorism straddled both domestic and foreign policy and illuminated the divergent historical experiences, threat perceptions and strategic cultures prevalent within the US and Europe.³⁰ That said, transatlantic security cooperation doubtless benefited from the existence of a mature and established security regime in the UK and drew on shared experiences and institutional frameworks to bolster greater multilateralism in the fight against new international threats. The events of 9/11 brought greater alignment in US and European approaches to counter terrorism policy than was previously the case. The quest for greater transatlantic consensus has been evident in recent years, not least with regard to counter terrorist financing policy and this was consolidated further with greater intelligence sharing and a commitment to more robust financial controls.

Whilst this cooperation had developed within the structures of a pre-existing military alliance, it was further enhanced through the G8 and the US-EU apparatus. Such structures

²⁹ Rees, W., ‘*Transatlantic Counter Terrorism Cooperation: The New Imperative*’ Routledge 2006.

³⁰ Ibid, p9.

provided a forum to consolidate the message, manage friction and competition and ensure that reciprocity.³¹ More importantly however, they afforded the US a way to pursue the “war on terror” whilst simultaneously providing Europe with a means to influence, shape and constrain US influence in the region. Crucially, however, by demonstrating a united front, the US and its European allies represented a powerful and convincing bulwark to curb the excesses of jihadist terrorism and have sought to expand their influence globally to include other nation states. What has emerged then is a security relationship beyond the limitations of a formal military alliance, based largely on shared norms and values including a mutuality and interdependence in economic and political spheres. The US effectively undertook the role of patrician, consolidating its influence and desire for consensus through multilateral engagement.

The quest for a global dimension to counter-terrorist cooperation has been a key feature of US foreign policy since the events of 9/11 elevated international terrorism to the top of the security agenda. Whereas the Cold War threat from the Soviet Bloc was essentially monolithic in nature, the challenge presented by 'new terrorism' with its affiliate status, diffuse network structures, criminally sterile modus operandi and greater financial independence, now demanded new perspectives. Indeed combating international terrorism requires sustained cooperation between multiple actors. Yet whilst transatlantic collaboration benefited from decades of diplomatic exertions, global cooperation on international terrorism was urgently required in light of these new security threats. If properly nurtured, these alliances may indeed deliver results as they evolve and strengthen and national considerations give way to overarching multinational priorities. Ultimately, success will depend on whether the requisite trust will emerge from these relationships between diplomats, intelligence agencies, law enforcement and judicial authorities to transcend narrow national concerns. Arguably CTF as a doctrine is particularly suited to these alliances, given the non-military, technocratic nature of these interventions.

The asymmetric nature of 'new terrorism' and its transnational profile thus provides a key test for multilateral cooperation. The desire to develop a formal regime of global financial governance³² had been one of the most active fronts in the “war on terror”. Regime in this

³¹ Ibid, p27

³² Myers J. M., *'Disrupting Terrorist Networks: The New US and International Regime for Halting Terrorist Funding,'*

context refers to “*instruments of governance that enable states to engage in rule-based relationships in which there are expectations of reciprocal cooperation.*”³³ In the context of CTF, there is little doubt that the transatlantic relationship stimulated greater international engagement, cooperation and coercion and succeeded in establishing tighter regulation and controls around financial governance generally. Moreover, regimes naturally foster notions of mutuality, reciprocity and obligation and the ensuing financial architecture that emerged served to strengthen these commitments. Based on their shared norms and values the US and the UK have fostered an increasingly interdependent relationship in political, economic and security matters and this has been consolidated further through the structures of the European Union. There is little doubt that by any yardstick, a regime of financial governance was spawned primarily by the triumvirate of the US, UK and the European Union, inspired by the centrality accorded by the US to the interdiction of terrorist funds in the wider “war on terrorism.”

International cooperation around CTF was thus formalised by establishing a consensus around principles, norms, rules and decision-making procedures that were effectively institutionalised within a multilateral framework.³⁴ Such collaboration and the ensuing quest for structural alignment arguably constitute a regime in the broadest sense. Moreover, there is now a widespread acceptance that analysing and understanding money flows is central to effective CTF and that proscribed regulatory action and best practice around risk and compliance protocols, has now been implemented in multiple jurisdictions. Indeed, over 180 jurisdictions globally committed to the Financial Action Task Force (FATF) Recommendations through the network of FATF Style Regional Bodies (FRSB's) and FATF membership.³⁵ Underpinning these structures was a range of bilateral trans-governmental networks and political coalitions that complemented this regime. Indeed, beyond the military interventions in Iraq and Afghanistan, the global architecture and ensuing practices deployed to counter the financing of terror, has been a “central and highly touted indicator of progress in the war on terrorism.”³⁶ Yet in spite of these developments, key questions have emerged regarding the impact of this global finance apparatus and the

Law and Policy in International Business, September 2002

³³ Rees W., Op. Cit., p11

³⁴ Biersteker T. J., & Eckert S., (Eds), Op. Cit. p243

³⁵ www.fatf-gafi.org .Accessed 14/9/12. 36 FATF members mandated to ‘promote the effective implementation of legal, regulatory and operational measures for combating money laundering and terrorist financing’.

³⁶ Biersteker T. J., & Eckert S., (Eds), Op. Cit. p289

'value added' as a result of these programmes. For Heng and McDonagh, (2008)³⁷ the “war on terrorist finances” languished as a sideshow in the shadows of the parallel military campaigns and they contend that the real outcome was a softening in the US policy stance which now advocates international cooperation in foreign policy to counter the traditional criticisms of US unilateralism.

Key criticisms of these measures have increasingly focused on the limitations of state capacity, member state fatigue, institutional lethargy, the abuse of due process and the impact of such measures on the formal financial sector.³⁸ As indicated in Chapter One of this thesis, concerns emerged regarding the impact of CTF measures generally given the AML heritage of these programmes. However from a Western perspective, CTF was a clarion call for robust counter action; a catalyst for wider international cooperation and consensus. Infrastructure enhancements were often required to strengthen coercive capacity, and to increase law enforcement capability and judicial cooperation. Moreover, on a policy level, these financial controls had a particular appeal as an exemplar of cross sector multi agency working.

As a consequence of greater multilateral cooperation around CTF, the US recognised the need for greater international regulation and intelligence sharing to counterbalance the previous over reliance on a state centric paradigm that promoted individual state responsibility to combat terrorist financing.³⁹ The emphasis accorded to the FATF in this new global consensus was perhaps the most obvious manifestation of harnessing and utilising existing international criminal finance platforms and enhancing multilateral cooperation in combating terrorist financing. As a product of the 1989 G7 summit, both the organisational and knowledge infrastructure was already in place, thus FATF was given a key role in progressing the development of standards central to the global CTF programme. Due to the complexity of the matter at hand and the requirement for uniformity of practice across a range of jurisdictions, FATF enhanced its mandate in October 2001 to include terrorist finance recommendations to complement the forty core recommendations

³⁷ Heng, Y-K. & McDonagh, K., *'The Other War On Terror Revealed: Global Governmentality And The FATF Campaign Against Terrorist Financing.'* p553, Review of International Studies, Vol 34, July 08, No 3, Cambridge University Press.

³⁸ Biersteker T. J., & Eckert S., (Eds), Op. Cit. p234

³⁹ Clunan, A. L., *'The Fight against Terrorist Financing'* Political Science Quarterly 121:4 (2006) p570,

developed to target money laundering.⁴⁰

There is little doubt that Inter-Governmental Organisations such as FATF, the European Union and the United Nations have all played a significant role in harnessing international acceptance of the AML/CTF regime and played a key role in fostering greater cooperation across a range of sectors.⁴¹ As a result, FATF's influence and membership has grown in recent years. The growth of FSRB's to disseminate terrorist finance standards and provide guidance in respect of their implementation through self-evaluations and peer reviews and their advocacy of a risk-based approach has been significant.⁴² The application of a risk-based approach to terrorist financing borrows heavily from FATF's approach to AML. However, notably, the characteristics of terrorist financing mean that the risks are often more difficult to assess and implementation strategies more challenging, due to the relatively low value of transactions involved in terrorist financing or the fact that funds often originate from legitimate sources. Indeed, it is widely acknowledged that without the necessary guidance on terrorist finance typologies or in the absence of specific intelligence, the ability of financial institutions to identify terrorist financing is significantly more challenging than is the case for money laundering or other forms of suspicious activity.⁴³

Using a broader theoretical international relations perspective however, Heng and McDonagh (2008)⁴⁴ examine these interwoven, overlapping regional, national and global regulatory structures and the implications for notions of government, regulation, compliance and indeed sovereignty. They conclude that the “war on terrorist finance” floundered and lacked a common approach and the appropriate regulatory tools.⁴⁵ Moreover, they note the absence in much of the existing literature of what they describe as “second order analysis” to draw out some of the key theoretical implications of what appears to be a quite radical restructuring of international financial regulations at multiple levels. As such, they see FATF as an entity that is more concerned with grading performance rather than delivering impact, with CTF dominated by questionable metrics

⁴⁰ www.fatf-gafi.org ‘FATF Recommendations’, accessed 14/9/12. In October 2004 FATF published a Ninth Special Recommendation on terrorist financing in addition to the previous 8 published in October 2001.

⁴¹ Heng, Y-K. & McDonagh, K., Op. Cit., p570

⁴² Financial Action Task Force Annual Report 2010-2011, FATF/OECD September 2011, p11

⁴³ ‘FATF Guidance on the Risk Based Approach to Combating Money Laundering and Terrorist Financing’, Chapter Two, para. 1.34-1.38. FATF/GAVI, June 2007

⁴⁴ Heng, Y-K. & McDonagh, K., Op. Cit., p570

⁴⁵ Ibid p559

and the routine activities of global governmentality and increasingly preoccupied with constructing benchmarks and disseminating best practice, rather than more tangible evidence of clear operational outcomes.⁴⁶

However one considers its contribution, FATF as part of a wider coalition of actors, contributes to global CTF architecture by targeting standards and procedures for international finance.⁴⁷ It is clear that the similarities between money laundering and terrorist financing particularly around risk and compliance protocols justify a common institutional response. In order to be effective, it is suggested that this requires a degree of flexibility to facilitate the implementation of national regulation and attain its universal application.⁴⁸ Although exhibiting significant distinctions, money laundering and terrorist financing share common operational similarities that encourage a common response by national authorities. As such, national regulators and officials are now increasingly working with their foreign counterparts to build collaborative responses to shared problems. It is in this context, that the role of FATF is best understood and its performance best assessed. Whilst disagreements prevail on the utility of FATF's stewardship of the global CTF programme, it is difficult to discount its contribution in the dissemination of knowledge based technologies, benchmarking and best practice.⁴⁹ Whilst acknowledging that these measures may lack the necessary 'operational bite', FATF's development, management and implementation of the 'mutual evaluation process' and the emphasis given to the significance of financial data and particularly the sharing of financial intelligence through the Egmont structures is further evidence of its contribution.⁵⁰ Ironically, whilst some commentators question whether an AML template can be applied to CTF⁵¹ the real impact from institutions such as FATF and Egmont may emerge in due course, as the constraints imposed via the formal financial sector enhance group vulnerability and increasingly encourage terror cells to focus on alternative methods to generate funds.

⁴⁶ Ibid, p568

⁴⁷ Blazejewski, K, 'The FATF and its Institutional Partners: Improving the Effectiveness and Accountability of Transgovernmental Networks', JD New York School of Law, 2007, www.temple.edu/law accessed 14/9/12, p59

⁴⁸ Ibid, p1

⁴⁹ Heng, Y-K. & McDonagh, K., Op. Cit., p572

⁵⁰ EGDMONT is a network of Financial Intelligence Units established in Brussels in 1995 to facilitate international cooperation and information exchange in the fight against money laundering and terrorist financing. www.egmontgroup.org accessed 15/9/12

⁵¹ Warde, I., Op. Cit. p,xv,

A further tier of activity on the part of relevant international organisations, most notably the International Monetary Fund and the World Bank, illustrates global cooperation on CTF with the FATF recommendations on terrorist financing receiving formal endorsement. This has been supplemented with discretionary compliance by regulators in the banking, insurance and securities sector. The net assessment from these developments is that the rudimentary architecture established under the FATF regime has been expanded considerably to address the challenges posed by 'new terrorism'. Thus, whilst existing AML structures and provisions provided a ready made platform to assess and respond to financial crime generally, there was nonetheless an increasing recognition, that such measures alone would be ineffectual in curbing terrorist financing. The emphasis on 'macro' interventions such as asset freezing designations and sanctions lists emerged as the key assets in the assault on terrorist finance. The evolving regime of global financial governance, bolstered by the politics of pre-emption, duly criminalised the financing of terror and provided a legal basis to freeze funds in the majority of UN Member states, without recourse to ponderous judicial proceedings.

Whilst all policy initiatives inevitably plateau or suffer from inertia over time, several constraints have emerged in recent years to challenge the enduring impact of the various multilateral global projects and programmes developed to combat terrorist financing. Biersteker⁵² highlights several key challenges to continued multilateral CTF cooperation, most notably the on-going limitations regarding individual state capacity to upgrade national counter terrorism infrastructure, not least the implementation of those CTF standards advocated by FATF and the UN. These are often compounded by a lack of political will to drive forward these initiatives. Furthermore, tensions exist between the need from a European perspective, to reconcile due process values within wider counter terrorism public policy, particularly where the emphasis on crime control values tends to predominate. Thus the challenges posed by human rights violations around early designations for action on sanctions etc., have been particularly problematic. It is assessed that this has the potential to undermine state-to-state cooperation on intelligence sharing and other counter terrorist matters.⁵³

⁵² Biersteker T. J., & Eckert S., (Eds), Op. Cit. p246

⁵³ Ibid, p295

One of the most significant aspects of seeking to develop a regime of financial governance has been the emphasis placed on the private financial sector to contribute to this vision. The enduring reliance on these institutions to play a full and active role in the implementation of global CTF standards will continue to challenge multilateral and multi-agency efforts in the years ahead. Indeed acute variations remain, both regionally and structurally regarding the capacity of the formal financial sector to implement agreed minimum standards around suspicious activity reporting and general CTF compliance. The pressures on financial institutions to service the increasing volume of requests from law enforcement and intelligence services remains a contentious issue, particularly so in light of the recent global economic downturn and the resourcing thresholds experienced by private institutions to maintain their risk and compliance mandates. Further changes in the economy of terror in recent years and the manner in which the current generation of jihadists secure finance,⁵⁴ will inevitably require new discourses on the value proposition of maintaining such complex bureaucratic AML and CTF architecture.

International Frameworks and their Contribution to UK CTF

Any understanding of the UK approach to counter terrorist financing thus requires an appreciation of the extent to which this emerged from wider diplomatic developments. Whilst several trans-governmental networks and institutions have been crucial to managing the process of enhanced multilateral engagement, most notably the UN and the G-8⁵⁵, it is arguably the relationship between the US and the European Union that has most influenced the current UK stance in addressing the terrorist threat. Whereas NATO provided the foundations for multilateral cooperation on matters of international security, its impact in combating 'new terrorism' has yet to be fully established. That said, NATO remains committed to discharging a counter terrorism role.⁵⁶ The use of UN structures was not initially favoured by the US as the Bush Administration preferred instead to concentrate on the muscularity of its military for global influence and leverage. This initial rejection of

⁵⁴ Napoleoni, L., 'How the New Generation of Jihadists Funds Itself', The RUSI Journal, Vol. 151, Issue 1, 2006, p60-65

⁵⁵ The G8 or Group of Eight is an assembly of the heads of government from Canada, France, Germany, Italy, Japan, Russia, United Kingdom and the United States who meet annually to discuss a range of global issues.

⁵⁶ 'NATO Policy Guidelines on Counter Terrorism', 21 May 2012, www.nato.int/cps accessed 19 March 2013

multilateralism was consolidated further with a new emphasis on the doctrine of 'pre-emption'.⁵⁷ It is clear that terrorist financing was widely inscribed with a precautionary function and that CTF best illustrated the politics of precaution.

Whilst some commentators⁵⁸ are critical of the use of pre Cold War security apparatus to address the threat from 'new terrorism', this ignores the extent to which these challenges remain linked to the military security agenda. Though a relatively recent addition, the G-8 has emerged from these arrangements as one of the most successful forums for international cooperation. Aside from seeking to disseminate specialist advice on CT matters generally, the G-8 has been particularly active in addressing terrorist financing and the vulnerabilities of the global banking system. On a broader level, the G-8 has sought to proselytise on the merits of embracing a Western banking regulatory template and advocated universal compliance, again using FATF as the mechanism through which this goal should be achieved. Moreover, the widespread establishment of national Financial Intelligence Units (FIU's) coordinated through the Egmont structures⁵⁹, provides testament to this cooperation and the value now attributed to financial data as a key source of intelligence generally.

Thus the security regime that has evolved since the Cold War provided the building blocks for the transatlantic allies to refine and develop these structures to mitigate the emerging threat from 'new' cell based and increasingly autonomous manifestations of terrorism. It is now commonly acknowledged that this threat was best addressed through global collaborative frameworks rather than narrow Western structures. Indeed, the Western policy template for counter terrorism might be viewed as a somewhat prescriptive, non-negotiable framework that urges strict compliance and minimal deviation. This often leads to problems at the implementation phase given the plural nature of these partnerships and the significant regional diversities. As such, programme commitment and application may evaporate where there has been minimal consultation and input at the formulation stage. There remains of course, a fundamental irony in the initial scepticism that greeted these international frameworks and their perceived value in advancing the "war on terror".

⁵⁷ de Goede, M., Op. Cit., p161-179

⁵⁸ Ignatieff, M., *'Virtual War: Kosovo and Beyond'*, Henry Holt, New York, June 2001,- qtd in Rees, W., *'Transatlantic Counter Terrorism Cooperation: The New Imperative'*, Routledge 2006, p22

⁵⁹ EGMONT Op. Cit.

Implicit within this rejection was a vote of no confidence in the concept of global governance, yet for many commentators, the CTF campaign represents the most successful and coordinated area in the US government's prosecution of the "war on terror".

European attitudes to the UN as a vital legitimising agent undoubtedly influenced the US in its quest for greater international cooperation in counter terrorism.⁶⁰ The events of 9/11 energised the organisation and addressed an arguably hitherto perceived ambivalence towards counter terrorism generally. UNSCR 1373 which focused on criminalising the financing of terrorism and required signatories to implement national terrorist finance legislation, was a major step in bolstering a common approach to CTF and the globalisation of policy on counter terrorism generally. Arguably then, the key relationship in the development of multilateral cooperation in counter terrorism was not the "special relationship" between the US and the UK, but rather cooperation between the US and the European Union. This would shape much of UK public policy on counter terrorism. Notwithstanding the fact that there were and remain acute philosophical and ideological differences in their respective positions, the lead provided by these two actors was crucial in enlisting support for the panoply of measures hallmarked as norms for counter terrorism practice. These included seeking to influence policy on those provisions at the heart of the US Patriot Act 2001 and on such matters as enhanced border security, judicial cooperation, passenger profiling and financial intelligence. Despite an emerging consensus across a range of policy areas, transatlantic tensions were most apparent in respect of Iraq, with many European states failing to endorse the view that targeting Saddam was an essential aspect of the "war on terror". Europe has instead placed greater significance on understanding the root causes which give rise to terrorism, rather than regime change, recognising that security interventions have their limitations.⁶¹

Whilst this 'softer' more liberal European approach to counter terrorism has led to tension with the US, for the most part, this relationship has been mutually beneficial, given the empirical experience of many European countries in combating terrorism.⁶² Indeed, the TREVI structures⁶³ subsequently morphed into the Third pillar of the EU, which in turn

⁶⁰ Rees, W., Op. Cit. p132

⁶¹ von Hippel, K., Edited '*Europe Confronts Terrorism*,' Palgrave Macmillan 2005, p13

⁶² Spain, France and Germany encountered a significant domestic terrorist campaign in the 1970's and 80's.

⁶³ TREVI is an intergovernmental network of national officials from Ministries of Justice and the Interior established by

led to the establishment of Europol⁶⁴ which now plays a key role in the formal exchange of information to the US on counter terrorism matters.⁶⁵ In response to the emerging threats from jihadist groups, the EU revised its CT infrastructure and streamlined cooperation with the US, dividing its programme into five thematic areas: (1) Police and Judicial Cooperation, (2) Bilateral relations with third countries, (3) Air Transport Security, (4) Economic and Financial Measures, and (5) Emergency Preparedness.⁶⁶ The transnational nature of the terrorist threat ensured that success hinged on a similarly configured enduring transnational response. The alliance between the US and Europe was therefore essential in developing a common counter terrorism framework.

Given the existence of endogenous Muslim populations throughout the EU, the US has benefited from unique perspectives on the wider consequences of its public policy. Issues around the sanctity of European jurisprudence now resonate with the US to a greater extent than was previously the case. The internationalisation of the US law enforcement posture and its practise of 'extraordinary renditions' involving the extra-judicial transfer of detained subjects, have placed considerable strain on this relationship. From a European perspective, these highlight the US emphasis on short-term intelligence dividends at the expense of a more ethical security paradigm and underscored the ideological distance in their respective positions. In spite of these differences, a singular vision around the need for multilateral cooperation to counter terrorism nonetheless prevailed.

The most obvious dividends from this relationship included the streamlining of bureaucratic procedures by EU member states around EU Justice and Home Affairs cooperation, agreement on a European Arrest Warrant, a common definition of terrorism including a common list of terror groups and individuals and finally the upgrading of Europol and greater bilateral cooperation generally, closer cooperation has resulted in enhanced tools to stem terrorist financing⁶⁷ and as a result, by September 2004, 208 countries and jurisdictions had expressed their support for the financial "war on terror"

the 12 states in the European Community in December 1975 to counter terrorism and coordinate policing, www.statewatch.org/news/handbook-trevi.pdf, accessed 12/08/12

⁶⁴ Europol was established in 1999 to assist member states of the European Union to coordinate the fight against serious transnational crime and terrorism. www.europol.europa.eu accessed 17/9/2012

⁶⁵ von Hippel, K., Op. Cit. p5

⁶⁶ Ibid

⁶⁷ Archick K., 'US – EU Cooperation Against Terrorism' Congressional Research Service, May 2012

whilst 167 had issued orders freezing terrorist assets. Furthermore over 90 nations had been cooperating in law enforcement and intelligence sharing and domestic reforms have been introduced in most states to combat the threat from international terrorism.⁶⁸

Despite the importance of the relationship between the US and Europe, concerns still remain regarding the lack of cohesion and inherent variability in multilateral programmes and the wider concerns around threats to national sovereignty. Considerable success however, had been achieved through a series of bilateral exchanges, not least between the US and the UK which has remained resilient despite these additional US efforts to forge closer European cooperation. Indeed for some, these bilateral exchanges often added more value than multilateral initiatives and the major European powers increasingly seem more interested in bilateral action than in common EU positions. As a result of several domestic terror plots in Britain in recent years, the security of the UK has been the focus of considerable interest to the US and these have intensified bilateral cooperation on ‘Threat Finance’ initiatives in particular.⁶⁹ These threats are central to the Research Question and this chapter has sought to examine the extent to which international architecture and multilateral engagement has enhanced the capacity of CTF interventions to impact the threat from increasingly autonomous and financially discreet attack cells. Whereas alliance relationships initially constrained US freedom of action and were prone to lowest common denominator outcomes⁷⁰ the ensuing system of financial governance provided the architecture for this CTF programmes to flourish.

Whilst the threat from jihadist terrorism further galvanised and refocused government bureaucracies, any assessment of the value of the CTF framework in terms of its implementation and impact is largely dependent on whether CTF is seen as a central issue when states' define their respective national interests. Indeed, Clunan⁷¹ suggests that from a theoretical perspective, counter terrorist financing is “a classic collective action problem,” given that the dividends from curbing the ability of non state terrorist groups to fund violent challenges to state authority is seen as mutually beneficial. Indeed, on an individual level, it

⁶⁸ von Hippel, K., Op. Cit p3

⁶⁹ Hoffman, B., ‘*Radicalization and Subversion: Al Qaeda and the 7th July 2005 Bombings and the 2006 Airline Bombing Plot*’ Studies in Conflict and Terrorism, Vol. 32, Issue 12, December 2009.

⁷⁰ Rees, W., Op. Cit. p146

⁷¹ Clunan, A. L., ‘*US and International Responses to Terrorist Financing*’ p261, in Giraldo J., & Trinkunas, H. A., ‘*Terrorism Financing and State Responses: A Comparative Approach*’, Stanford University Press, 2007

is vital that such challenges do not undermine domestic economies or disrupt the international financial system. Yet difficulties arise when individual states address the costs of upholding and implementing these arrangements. Moreover, domestically, many states lack the institutional capacity to implement those norms that lie at the heart of the CTF framework. These norms include well functioning, transparent and non-corrupt economies with appropriate AML legal frameworks, regulating both the formal and informal financial and trade services.⁷² This template requires a champion to define the mandates for such a regime. Clunan argues however, that the US has been unwilling to underwrite such a regime. Furthermore she suggests that the international effort on counter terrorist financing has been largely superficial with states displaying greater efforts around adoption and ratification of UN conventions, rather than tangible enforcement and outcomes from these measures.⁷³ As a result, the US policy stance has tended to favour bilateral and regional organisations to monitor compliance, rather than develop a global multilateral regime. Notwithstanding the difficulties of securing widespread global compliance, there is little doubt that UK public policy on CTF has been shaped to a significant extent by these international frameworks. This is reflected in the desire for a common universal approach, particularly around the centrality of the risk based approach to financial crime generally, the emphasis on greater regulation of the financial sector and the utility of financial data and the sharing of financial intelligence to further inform wider counter terrorism efforts.

The US stance in prosecuting the “war on terror” when allied with its military campaign in Iraq, alienated many nations from embracing a US vision to curb terrorist financing globally. What has emerged however is a consensus on the need to ensure that the global financial system is less vulnerable to exploitation by terrorist and criminal organisations. Indeed, in contrast to the US blue-print, the European approach to CTF is less prescriptive and attaches less significance to government interventions in the form of designations and asset freezing, placing greater emphasis instead on a global multilateral approach to AML/CTF benchmarking, which focuses on an intelligence based template advocating greater European and G-8 information sharing. This 'battle of ideas' is central to understanding how CTF programmes might develop in the future. Underpinning these differences is a wider policy debate on strategy, and whether 'macro' interventions such as

⁷² Ibid

⁷³ Ibid, p262

designation and asset freezing using legal frameworks have an operational relevance in combating 'new terrorism'. This emphasis on macro interventions has obvious benefits for government, given that quantitative data can be easily manipulated as a tangible indicator of operational success. Whilst the primary focus in the UK in recent years has shifted to the targeting of domestic attack cells and the use of microfinancing methodologies, CTF 'macro' interventions nonetheless remain a core aspect of work undertaken to combat the international threat. HM Treasury is responsible for the implementation and administration of international financial sanctions in effect in the UK and for domestic designations under the Terrorist Asset Freezing Act 2010.⁷⁴ By way of providing context on the scale of these interventions, HM Treasury are required to report quarterly to Parliament on the operation of the UK's asset freezing regime mandated by UNSCR 1373.⁷⁵

In recent years however, the utility of financial data and the 'follow the money' doctrine has gathered momentum. Disciples of this approach advocate enhanced regulation of the formal and informal financial sector and greater emphasis on due diligence and 'know your customer' regimes. They champion data collection and data mining, financial surveillance and greater intelligence analysis, sharing and cooperation. Indeed, there is a growing realisation that financial data and third party information can be covertly exploited by both law enforcement and intelligence agencies to assist wider operational objectives. Such data can assist in the development of financial profiles and typologies that are central to the fight against international terrorism. The focus on financial data has thus emerged as the preferred option for the intelligence agencies and the exchange of information for use as 'intelligence only' product has obvious benefits when engaging in multilateral programmes.

It should be noted however, that both macro and micro strategies are not mutually exclusive. CTF strategy should ideally comprise elements of both. Whilst from a global CTF perspective, albeit shaped by US Executive Orders 13224 and UNSCR 1373, the period 2001-2004 was characterised by designation and asset freezing, thereafter the deliberations and the recommendations of the 9/11 Commission⁷⁶ emphasised the value and

⁷⁴ www.hm-treasury.gov.uk/fin-sanctions accessed 5/9/12.

⁷⁵ www.theyworkforyou.com/wms, accessed 5/9/12, provides Quarterly Reports on the Counter Terrorist Asset Freezing regime and designations.

⁷⁶ Report of the National Commission on Terrorists Attacks Upon the United States, 22 July 2004, www.9-11commission.gov.

utility of financial information to investigators. The UK government accordingly revised its CTF strategy to reflect these recommendations.⁷⁷ As the operational significance of financial data has increased in recent years, the emphasis on 'macro' interventions thus perhaps requires re-evaluation.

Whilst the US has been the principal driver in disseminating a framework of norms and values around counter terrorist financing, no agreed global CTF agenda has emerged. In spite of this however, greater international cooperation now exists in addressing the issue of terrorist financing. The US together with its European allies have brought an international dimension to the FATF structures which now provides the means to extend the CTF agenda globally. Despite an almost universal acknowledgement that combating the financing of terrorism is a laudable ideal, whether the key aspects of western CTF practise will be universally embraced, depends on the centrality of the concept within a states key national security priorities. The appetite for any counter terrorism measures is often heightened by a states vulnerability and its recent exposure to terrorism. The UK has been particularly active on the CTF front in recent years and whilst this has its origins in decades of confronting Irish terrorism, it is the more recent threat from domestic home-grown terror cells that has consolidated this approach. It is anticipated that CTF will again feature prominently in Northern Ireland, should the threat from Residual Terrorists Groups intensify.⁷⁸ Ultimately however, a states operational capacity and the emphasis it attaches to the utility of finance interventions, will determine whether they implement those measures proffered from the compendium of suggested CTF best practice.

CTF and Globalisation

In the past decade, key aspects of international terrorism, ranging from group composition and structure, to how such entities are funded, have been revised to take account of globalisation. Indeed, the global jihad itself reflects one of the core trends of globalisation: as the nation-state has yielded its centrality to supranational, global entities and concepts – so terrorism has morphed to embrace these changes.⁷⁹ Moreover, the gradual erosion of the

⁷⁷ HM Treasury, Op. Cit.

⁷⁸ 'UK National Security Strategy', October 2010, p27, HM Government, Part Three,

⁷⁹ Shahar, Y., 'Al Qaida: A Reflection of Globalization?' International Institute for Counter Terrorism, September 2008, <http://www.ict.org.il>

ideological basis of the nation-state is arguably reflected in the demise of the nation specific terrorist organisation. Thus for many, 'new terrorism' is essentially borderless. As a result of these developments, globalisation is now central to any assessment of the efficacy of CTF interventions. The world has become more interconnected and integrated and globalisation has made it easier for terrorist organisations to communicate, plan and organise funding. It has enhanced the diversification of the terrorist funding portfolio and accelerated the volume of funds moving through the international financial system.⁸⁰ In 2000, it was estimated that foreign workers remitted some \$113 billion in funds, yet by 2006 this figure had doubled to approximately \$255 billion.⁸¹ As a consequence of technological enhancements in global commerce generally, new methods have evolved for the transfer and storage of funds. Informal Value Transfer Systems in particular have benefited from mobile communications. The use of digital currencies such as e-gold, and Liberty Reserve have obvious benefits for terrorist and criminal organisations given the absence of robust "know your customer" (KYC) and "due diligence" (DD) requirements.⁸² Furthermore, globalisation intrinsically undermines attempts to impose robust regimes to govern the auditing and control of funds, as these processes and systems are typical of heavily centralised organisations.

To understand the UK government's response to the challenges and threats from globalisation and 'new terrorism', it is necessary to examine the wider policy discourse from which it emerged. Bulley⁸³ considers the doctrine of international community embraced by Blair in 1999, with its emphasis on states having both rights and responsibilities, to explain in part the UK's approach to combating 'new terrorism'. From this we can assess the UK's commitment to the concept of international community and its ensuing contribution to global financial governance and effective CTF. This doctrine poses a challenge to the traditional philosophy of interstate relations that has prevailed since the treaty of Westphalia in 1648. Indeed, what happens internally within other states is now of significant interest to others. In light of recent political developments, states are more likely to embrace notions of globalisation and collective governance. Brassett⁸⁴ develops this

⁸⁰ Giraldo J., & Trinkunas, H. A., Op. Cit., p19

⁸¹ Levitt M. & Jacobson M., Op Cit., p8

⁸² Interview with CTF Practitioner No.4

⁸³ Bulley, D., 'The Doctrine of International Community: Rights and Responsibilities' The British Journal of Politics and International Relations, Vol. 10, No.3, August 2008

⁸⁴ Brassett, J., 'Cosmopolitanism versus Terrorism? Discourses of Ethical Possibility Before and After 7/7', Millennium

further by providing a critical analysis of the relationship between cosmopolitanism and terrorism. The concept of 'cosmopolitanism',⁸⁵ with its emphasis on defending international laws and constructing international institutions, provides a framework to consider the emerging global architecture that has evolved to counter the financing of terror. Political cosmopolitanism is after all, concerned primarily with envisaging institutions that might better organise world society. The development of international architecture to promote CTF thus acknowledges and reinforces the value of this doctrine.

Alternatively, Giraldo and Trinkunas in considering more recent international developments, suggest that globalisation has contributed to the diversification of the terrorist finance portfolio by enhancing opportunities for terrorist groups to plan organise and communicate on a global scale.⁸⁶ The trans-national nature of terrorist finance is examined in the context of international cooperation and support, from which they suggest that government CTF programmes inevitably face problems of coordination, oversight and information asymmetries that render them vulnerable to disruption. By contrast, globalisation has allowed terrorist organisations to take advantage of a highly regulated financial system and created greater ease of communication and mobility, these developments inevitably pose challenges for governments in confronting these constantly changing phenomena. Indeed, globalisation compounds the challenge by eroding the command and control structures of terrorist organisations and the relative ease of targeting centralised monolithic structures. The extent to which globalisation has fuelled the emergence of flatter, looser, diffuse terror networks is addressed in Chapter 3 of this thesis which examines the social organisation of terrorism and its implications for CTF interventions.

What is clear however, is that the development of unifying communications technology has enhanced the capability of various social groups to mobilise⁸⁷ and this presumably extends to independent terror group networks. Cryptography and the internet provided the means for terrorist networks to evolve and communicate globally. Furthermore, terrorists use the Internet in much the same way as multi-national corporations: for marketing, research,

Journal of International Studies 2008; 36 p311

⁸⁵ Archibugi, D, '*Principles of Cosmopolitan Democracy*' in '*Re-Imagining Political Community*', Polity Press, Cambridge, 1998, p198-228

⁸⁶ Giraldo J., & Trinkunas, H. A., Op. Cit. p10

⁸⁷ See Omand, D., Bartlett J., & Miller, C., '*# Intelligence*', Demos, 24 April 2012, on the impact of social media.

command and control, information gathering [intelligence], fundraising and other activities.⁸⁸ The internet thus provides universal opportunities and supports ‘new terrorism’⁸⁹ by providing the means for ideological development and the exchange of ideas. Indeed, without it, it is doubtful whether Al Qaeda could exist as a global entity and disseminate its doctrine on the scale witnessed to date. Furthermore, unlike terrorist organisations of the past, Al Qaeda has in part maintained its existence as a cyber entity. Ironically perhaps, the initial strikes from the “war on terror” on jihadist training camps in Afghanistan may have encouraged the organisation to target cyberspace as the primary platform to spread its message. However, the extent to which the West may have inadvertently accelerated this process is an area for separate research.

Cyberspace has become an optimal area for ‘nomadic entities’, that can exist and organise from any location without the need for a permanent territorial base or sophisticated infrastructure.⁹⁰ In this context, asymmetric struggles predominated. This theme was developed further in *Networks and Netwars* 2001⁹¹ and highlighted the changing nature of terrorism and the extent to which specific features of globalisation and terrorism are intertwined. Al Qaeda has largely replicated the manner in which multi national corporations have adapted to take account of emerging economic, social and technological developments. The increasing emphasis on corporate notions of decentralisation has encouraged greater autonomy amongst attack cells and this has proven to be particularly problematic for CTF practitioners as microfinancing methodologies and operational autonomy increasingly predominate. In essence, globalisation is value neutral; the same technologies social processes and institutions that support the spread of liberal democracy can equally be applied to grow and nourish other ideologies, including violent global jihad.

As indicated in Chapter Two of this thesis, terrorist groups now collaborate more easily with criminal groups and networks. The changing nature of criminal and terrorist networks may in future require a more sophisticated and nuanced approach to combating terrorist

⁸⁸ Shahar, Y., ‘*Al Qaida: A Reflection of Globalization?*’ International Institute for Counter Terrorism, September 2008, <http://www.ict.org.il>, p2

⁸⁹ See Chapter 3 for a discussion on the characteristics of ‘new terrorism’.

⁹⁰ Schweitzer Y., & Shay, S., ‘*The Globalisation of Terror: The Challenge of AQ and the Response of the International Community.*’ Transaction Publishers, London, 2003

⁹¹ Arguilla J., & Rondfeldt D., ‘*Networks and Netwars: The Future of Terror, Crime and Militancy*’, Santa Monica, CA, RAND 2001

financing than is being pursued at present. This includes a more robust regulatory system to track the flow of commerce and trade based enterprises. Indeed, Farah⁹² underscores the emerging macro trends offered by globalisation by focusing on the growth of failed states and the corollary merging of terrorist pipelines with organised crime. Emphasising that policy makers often failed to disaggregate different types of failed states, he cites the efficiency of Charles Taylor's Liberia and the terrorist finance activities pursued by Al Qaeda and Hezbollah under his imprimatur.

Some commentators have questioned the enduring effectiveness of global partnerships and the setting of global CTF standards to combat the funding of terror by highlighting cracks in the international CTF apparatus.⁹³ Others are critical of the inherent unwillingness to address structural problems specifically linked to off-shore banking and shell companies that inevitably impede all AML and CTF initiatives.⁹⁴ Further recognising the challenges to implementing effective global CTF programmes, Matt Levitt⁹⁵ advocates more sophisticated discourses around asset freezing specifically. Levitt is particularly critical of traditional approaches to CTF which tend to focus on fundraising alone rather than other nodes of activity such as accessing, transferring and laundering funds. Significantly, he likewise endorses the value of financial data, arguably the most obvious CTF dividend bestowed through globalisation, as a key intelligence asset and questions whether there is sufficient global consensus around financial data as an effective pre-emptive tool per se.

De Goede⁹⁶ develops this theme further and examines the role of pre-emption in the "war on terror" and suggests that Europe has effectively legitimised asset freezing as a precautionary security practice and transposed the language of precaution into European jurisprudence. The war on terrorist finance is thus "*widely inscribed with a precautionary function and measures including financial data mining and asset freezing are [now] seen*

⁹² Farah D., qtd in Korade M., 'Congressional Quarterly' 16 April 2008, www.counterterrorismblog.org accessed 25/3/09

⁹³ Passas N., 'Setting Global CFT Standards: A Critique and Suggestions', Journal of Money Laundering Control, 2006, Vol 9, Issue 3, p281-292 and Heng, Y-K & McDonagh K., 'The Other War On Terror Revealed: Global Governmentality And The FATF Campaign Against Terrorist Financing.' Review of International Studies, Vol 34, July 08, No 3, Cambridge University Press, p572

⁹⁴ Kroll S, qtd in 'Terrorist Financing: They've Picked up on Globalisation Faster Than We Have' Korade, M., Homeland Security Policy Institute, 7 October 2008, www.gwumc.edu, accessed 25/3/09

⁹⁵ Korade M., 'Terrorist Financing: They've Picked up on Globalisation Faster Than We Have', Homeland Security Policy Institute, 7 October 2008, www.gwumc.edu, accessed 25/3/09

⁹⁶ de Goede, M., Op. Cit., p174

*as cutting edge ways of tracing and disabling terrorist organisations and networks at an early stage.*⁹⁷ O'Harrow⁹⁸ gives further weight to the emphasis attributed to financial data, highlighting the value investigators place on financial activity to the extent that it is now considered "*a fuel for their intelligence engine.*"⁹⁹ Zarate underscores this further by asserting that "*money trails don't lie*" and champions the capacity of financial data to reveal "*blue prints to the architecture of terrorist organisations.*"¹⁰⁰ As such, precautionary logic has developed as part of the mainstream security apparatus and migrated into public policy. Consequently, financial intelligence and financial surveillance, the most obvious fruits of globalisation from a CTF perspective have emerged as mainstream components of contemporary security practice. Not surprisingly, a separate debate is emerging on whether the focus on pre-emption, with its emphasis on asset freezing, extra legal interventions and financial data mining and data retention should be considered as an erosion of liberty and due process. In response to these developments and as a result of matters highlighted in the empirical research undertaken to support this thesis, the challenge of reconciling liberty and security in the context of CTF interventions will be addressed specifically in Chapter Five.

Conclusion

The main blocks of the UK's national security are enduring. The UK benefits hugely from a tried and successful approach to collective security using a wide set of alliances and partnerships, principally with the US, but also as a member of the EU, NATO and the UN Security Council.¹⁰¹ For the United Kingdom, the 'special relationship' has been crucial in defining the shape and direction of counter terrorism policy generally. Although questioned on occasions, the concept of the US-UK 'special relationship' does have substance, particularly in terms of defence and intelligence cooperation. However, as noted in a 2005 Congressional Research Report,¹⁰² the UK's foreign policy influences are deemed closer to those of its EU partners than to the US and this has arguably migrated to include how the

⁹⁷ Ibid

⁹⁸ O'Harrow, R., '*No Place to Hide*' New York Free Press 2005 qtd in de Goede M., '*The Politics of Preemption and the War on Terror in Europe*,' European Journal of International Relations, Vol 14, No 1, March 2008 p161

⁹⁹ Ibid

¹⁰⁰ Zarate, J., p161, qtd in de Goede M., '*The Politics of Preemption and the War on Terror in Europe*,' European Journal of International Relations, Vol 14, No 1, March 2008

¹⁰¹ '*UK National Security Strategy*', October 2010, HM Government, para.10, p15

¹⁰² Archick K., '*The United Kingdom: Issues for the United States*' Congressional Research Service, Washington DC, 2005

UK executes its approach to CTF. Whilst the outcome of the current counter terrorism policy stance adopted by the Obama Presidency requires further research, the tone set latterly by the previous administration was arguably more calibrated and nuanced than some of the literature suggests.¹⁰³ Though ideologically predisposed to a more unilateralist stance, the ensuing US policy choices have been guided largely by perceptions on the nature of the threat and the range of policy options available. What has emerged is ‘tough-love multilateralism’¹⁰⁴, driven by sober rationality and political pragmatism rather than political preference. It is precisely multilateral cooperation with the UK and its transatlantic partners on the CTF agenda that is cited as the most obvious example of collaborative success in the “war on terror”.

Whilst multilateralism is often problematic given the difficulties in aligning legal and jurisdictional systems and procedures, in the case of the US and the UK, transatlantic security cooperation in the form of bilateral and operational cooperation with the European Union, illustrates pragmatic internationalism at work. This achievement is all the more surprising given that Europe is a complex multi-level actor.¹⁰⁵ The notion of a robust and enduring regime of global financial governance around CTF must therefore be seen within the context of the transatlantic relationship and the ensuing complexities and tensions which often arise. Whilst the future for CTF as a universal doctrine of shared goals and objectives will doubtless be determined by the wider US global relationship, Kolodziej and Kanet suggest that the US is no longer able to influence international politics as it had done previously. As a result, they argue for the emergence of a multipolar world in which the US at best occupies a position of *primus inter pares* and advocate a policy stance that acknowledges the limits imposed by domestic weakness and international constraints, a recognition of diminishing superpower status and a shift in emphasis away from force, pre-emption and unilateralism, towards sustained multilateral cooperation.¹⁰⁶ Whilst the US had sought to promote a programme of financial governance in typical unilateral fashion, it quickly acknowledged that success required unprecedented multilateral cooperation and

¹⁰³ Luck E. C., “*The US, Counterterrorism and the prospects for a Multilateral Alternative*” p.74, in Boulden J and Weiss T G, (Eds) “*Terrorism and the UN: Before and After 9/11*” 2004, Indiana University Press

¹⁰⁴ Dumbrell, J., Op. Cit. 2009, p16

¹⁰⁵ Rees, W., ‘*Securing the Homelands: Transatlantic Cooperation After Bush*’ p113, British Journal of Politics and International Relations, 2009, Vol 11, No 1, February 2009

¹⁰⁶ Kolodziej E. A., & Kanet R. E., (Eds) ‘*From Superpower to Beseiged Global Power; Restoring World Order after the Failure of the Bush Doctrine.*’ The University of Georgia Press, 2008 – Qtd in ‘*Challenges, Crises and Change in US Foreign Policy*’ International Studies Review 2009, Review by David Mitchell, p165-173

engagement. Although the Obama administration has not endorsed the “war on terror” as the organising principle of US foreign policy, it has approached counter terrorism and CTF in much the same way as its predecessor. As such, the policies of the new administration are characterised more by continuity rather than change¹⁰⁷ and as a result, CTF as a doctrine has reflected this course.

Current global CTF efforts have undoubtedly been successful at targeting both the costs and risks of terrorist group engagement in developing funding platforms. Such measures are essential in undermining and degrading a groups' ability to develop and execute operations. However, the game of operational chess that has emerged between the security community and the terrorist groups, will evolve and mutate again as each side seeks competitive advantage. The regulatory response must be cognisant of these developments. Indeed since 2004, the nature of terrorist financing has shifted with increasingly less reliance on the transnational movement of funds.¹⁰⁸ The most recent attacks in the UK addressed specifically in Chapter Five of this thesis, attest to this development. As such questions arise regarding the metrics for success in CTF terms. Whilst symmetry exists in large part between the UK and US in broad CTF policy terms, individual state solutions often predominate within the EU despite the transnational nature of the problem.¹⁰⁹ Indeed, Al Qaeda was quick to exploit the opportunities afforded by globalisation and took advantage of the jurisdictional and procedural constraints often encountered by law enforcement as a result.

Ultimately, any assessment of the impact of global measures to counter terrorist financing is defined by several factors, not least the nature and scale of the threat, both domestic and international and whether the policy choices outweigh the costs. There is little doubt that the measures introduced to enhance regulation in the formal banking sector have been successful and prompted terrorist groups to review their funding practices accordingly. Yet there is also recognition that financial controls alone are insufficient to thwart the financing of terror. Again increasing emphasis is now placed on the multilateral coordination of intelligence and enhanced global cooperation to counter criminal activities. Perhaps the key

¹⁰⁷ Mitchell D., ‘*Challenges, Crises and Change in US Foreign Policy*’ International Studies Review 2009, p165-173,

¹⁰⁸ Biersteker T. J., & Eckert S., (Eds), Op. Cit., p294

¹⁰⁹ Ibid, p293

operational dividend has been a widespread recognition of the utility of financial data. Indeed there is now a greater focus on financial intelligence gathering and analysis and its application in confronting both counter terrorism and organised crime. Financial intelligence adds value in several areas. It provides corroboration material for more sensitive forms of intelligence and is a minimally intrusive form of investigation. The data is relatively unambiguous and thus easily understood and processed. Its key strength however, is in exposing target vulnerability. “Joining the dots” has become accepted parlance amongst those financial investigators charged with analysing the data and developing profiles to support intelligence collection and disruption operations. Understanding and interpreting financial data and its intelligence value has contributed to understanding the structure of organisations, the patterns of life adopted by operatives and the tradecraft and modus operandi duly employed.

Financial intelligence has thus emerged as one of key assets in the global CTF campaign. Intelligence cooperation generally has strengthened with more products now being exchanged both bilaterally and multilaterally than in previous years.¹¹⁰ Aldrich¹¹¹ suggests that such cooperation should be seen in the context of a rather specialist form of “*low politics*” which is driven by pragmatism – a “*fissiparous activity*” that can add value despite strong ideological and strategy differences. Whilst intelligence channels between the UK and the US have long existed and proven mutually beneficial and reinforcing, this has not always been so in the US/EU relationship. However, in purely pragmatic terms, Europe and the US now acknowledge the value of bilateral cooperation in dealing with transnational threats. As a result, intelligence cooperation has emerged as the first line of defence against a plethora of illicit actors and security challenges. Despite disagreements over ideological and legal issues, those proposals around terrorist financing, asset freezing and pre-emption are indicative of wider consensus and alignment generally in US and European policy. These developments have in turn shaped the UK CTF policy response.

Intra-state intelligence exchange between partner agencies is a key feature of UK/US security cooperation and many countries have embraced this model and established Fusion

¹¹⁰ Aldrich, A., ‘*US European Intelligence Cooperation on Counter Terrorism Law: Low Politics and Compulsion*,’ p122, British Journal of Politics and International relations, 2009, Vol 11, No 1, February 2009, p 122 -139

¹¹¹ Ibid

Centres that seek to enhance intelligence prioritisation across their various security and intelligence agencies. The Joint Terrorism Analysis Centre (JTAC)¹¹² was established in the UK around this principle and is now mirrored within other European jurisdictions. What is notable is that CTF is now a priority area for these Centres which typically comprise private industry partners from the financial and telecommunications sector. These partnerships have in turn enhanced information and data sharing and have been strongly welcomed within the security community.¹¹³ Naylor¹¹⁴ however is critical of this development and suggests that the banking sector now constitutes part of the “global espionage apparatus”. This reflects growing concerns that some private corporations and financial institutions have de facto, assumed “proxy sovereign status” on behalf of the state.¹¹⁵

Thus whilst “new terrorism” has gained momentum from globalisation, similarly globalisation has further enhanced cooperation and intelligence sharing. Yet in spite of this, inter-state relationships are often far from harmonious and consensual. Tensions were evident recently as a result of the emphasis placed by the US on targeting Osama bin Laden and degrading the leadership structure of Al Qaeda when set against the damage inflicted on long term intelligence gathering and the wider “hearts and minds” battle around Islam.¹¹⁶ Despite this friction, the consensus is that CTF programmes have impacted on the ability of terrorist organisations to operate unmolested. The extent to which the transformation and degradation of Al Qaeda in recent years is largely a response to wider diplomatic and military efforts or is instead partly attributable to global CTF cooperation, architecture and tactical interventions is beyond the scope of this thesis. However, the fact remains, that since 2006, Al Qaeda has encountered significant difficulties in raising funds and sustaining itself.¹¹⁷

Whilst further anecdotal reporting indicated that core Al Qaeda was in rude health during

¹¹² JTAC is the UK Centre for the analysis of all source intelligence on terrorist threats to the UK and UK interests. www.mi5.gov.uk accessed 5/8/12

¹¹³ Omand, D., ‘*Developing National Resilience*’ RUSI Journal 50:4, 2005, p14-18

¹¹⁴ Naylor, T. R., ‘*Satanic Purses: Money, Myth and Misinformation in the War on Terror*,’ Montreal McGills University, 2006

¹¹⁵ Amore L., & de Goede M., ‘*Risk and the War on Terror*’, Routledge, 2008, p103

¹¹⁶ Aldrich, R., Op. Cit.

¹¹⁷ Michael McConnell, US Director of National Intelligence in a submission to Congress, February 2006, p40 qtd in Levitt M., & Jacobson, M., ‘*The Money Trail: Finding, Following and Freezing Terrorist Finances*’, The Washington Institute for Near East Policy, Policy Focus #89, November 2008

the period spanning the most recent high profile UK attacks,¹¹⁸ the organisation nonetheless experienced difficulties in funding its affiliates overseas. This may account in part for the shift in recent years towards greater financial independence and autonomy by affiliated cells. There is little doubt however that the persistent targeting of couriers, facilitators and fundraisers has indeed degraded those methodologies favoured to generate and move funds. Yet despite these interventions, Al Qaeda and its affiliates remain the most potent threat to the UK. It is anticipated that these attacks will continue through groups who are inspired but not trained or directed by Al Qaeda and by those who have travelled overseas for training or insurgency and home-grown individuals who have been inspired to commit attacks without formal indoctrination.¹¹⁹ Indeed, the UK National Security Strategy 2010 highlights the danger specifically from “lone terrorists” and anticipates further attacks by disaffected Muslims.¹²⁰

Despite the reframing of international architecture to address the threat from ‘new terrorism’, the main issue emerging from a financial analysis of the most recent terror plots in the UK, is that the scale of funding required for these attacks was nominal, with an average expend of approx. £6,000.¹²¹ Furthermore in each of these incidents, finance was secured either privately or derived from personal debt defaulting rather than centrally remitted from the organisation or derived from the proceeds of crime.¹²² This change in the economy of terror effectively limits the use of those ‘macro’ interventions initiated through multilateral cooperation and the global CTF apparatus which evolved from these inter-state relationships. As such, the existing UK CTF policy template requires to be reviewed in light of the changing nature of the threat and the new methodologies emerging for the funding of terror.

¹¹⁸ This refers to the period 2005-2009

¹¹⁹ ‘UK National Security Strategy’ Op. Cit. p13,

¹²⁰ Ibid, para 3.23

¹²¹ Internal Metropolitan Police Service publication, 28 October 2009.

¹²² Ibid.

CHAPTER TWO

Financial Responses to Terrorism

Current responses to terrorist financing have their origins in the chaos which ensued in the days and weeks following the 9/11 attacks. The acknowledged absence of clarity or lucidity on terrorist financing generally during this period raises obvious questions regarding the subsequent global framework which would shape UK public policy on CTF in the years ahead. Indeed, insofar as terrorist financing was concerned, a “parallel universe” emerged built around dubious axioms, assumptions and founding myths.¹²³ These assumptions largely focused on addressing terrorism in the context of crime, and thus criminalising the financing of terror. The same template which had been applied previously to combating organised crime and drug trafficking cartels would in effect now be used to attack the financial architecture and funding processes of terrorist organisations. CTF thus evolved as an adjunct to AML and would be shaped by the general investigative principles used to address financial crime generally. This harmonisation of CTF with AML is currently the cornerstone of the UK's response to terrorist financing in both policy and operational terms. Therefore any assessment of the value of counter terrorist finance programmes to inhibit the challenge of 'new terrorism', demands an evaluation of the principles on which it is based. This chapter therefore considers the extent to which AML architecture can be applied to CTF and whether this consolidated and synthesised approach is appropriate to impact the funding methodologies employed by recent UK terror cells.

Whereas reservations emerged regarding the value and likely impact of military interventions to combat jihadist threats in Afghanistan and Iraq, no such concerns were expressed regarding the use of financial counter measures. Perhaps by comparison, these were less contentious, arguably less understood and thus more politically palatable. Indeed, attacking financial networks had a certain coherent logic and limited risk factor which resonated with a public eager to support government action given the scale of recent terror attacks. The general discourse around financial interventions such as account monitoring,

¹²³ Warde, I., Op. Cit. p. xv

sanctions and of asset controls seemed so complex and technocratic, that few challenged whether the use of financial countermeasures was both justified and appropriate to defeat terrorism.¹²⁴ The specific targeting of terrorists finances and financial infrastructure had wide appeal and played to the public's sense that international finance was one great machine in which every moving piece could be found¹²⁵ and in turn audited for use by state authorities in pursuit of wider public safety.

With the exception of the UK and its domestic experience in confronting Irish terrorism, terrorist financing as an operational asset had hitherto received little consideration. However, the attacks on the Twin Towers suddenly elevated terrorist financing to the apex of financial crime. The underlying narrative in this development was the expectation of impact from financial measures similar to those applied in the fight against organised crime. During this period, however, there was a general lack of discourse around the universality and transferability of AML measures to combat terrorist financing. For largely bureaucratic and political reasons, money laundering and terrorist financing became interchangeable. The financial logic being, that by taking the profit out of crime, criminal activity would be reduced. Correspondingly, attacking the sources of terrorist financing using an AML template would likewise deliver the required operational impact.

Ironically, many of these assumptions gathered momentum under a Bush administration, seemingly eager to posture and under pressure for quick political wins. Whereas previously the administration had a strong bias against financial controls per se, the quest for a robust and immediate response may have taken precedence over ideological conviction. A more probing interventionist dispensation thus emerged. The US federal government sanctioned greater surveillance, scrutiny and regulation of the financial system, to trace, pursue and require greater information and disclosure. The CTF template which emerged was embraced wholeheartedly by a UK government keen to support its closest ally. At a visceral level, the links between terrorism and finance were easily articulated and understood. Indeed counter terrorist financing programmes was perhaps the one area in which there was most potential and likelihood for international cooperation and consensus.

¹²⁴ Ibid, p.xiv

¹²⁵ Benjamin, D & Simon, S. *'The Age of Sacred Terror: Radical Islam's War against America'* p269, New York, Random House, 2003

In essence the US sought to establish a de facto regime of global financial governance and the UK government was quick to endorse this initiative, later placing CTF at the centre of its presidency of the European Union.¹²⁶

The reasons for this may well be rooted in intuition, rather than logic or any real understanding of the facts. Crucially the efficacy of counter terrorist financing interventions was already understood and acknowledged in the UK given its reliance on these programmes domestically in the 1980's and 1990's in addressing the threat from the Provisional IRA.¹²⁷ Furthermore, CTF and financial rhetoric played well as assumptions on the common characteristics of crime and terrorism predominated. From a UK perspective, this was reflected in the publication of the seminal document on CTF “*The Financial Challenge to Crime and Terrorism*”¹²⁸ which provided the most comprehensive UK compendium for CTF and set the strategic direction for practitioners and officials in combating the financing of terrorism. Thus any assessment of UK CTF interventions to impact and critically inhibit 'new terrorism' must begin with an understanding of the underlying strategy.

UK CTF Strategic Framework

“*The Financial Challenge to Crime and Terrorism*” set the context for the Government's strategy for tackling money laundering and terrorist financing by describing the threat to UK national security from criminal organisations and terrorist networks. It further established the framework of anti-money laundering and counter terrorist finance measures and the milestones to be achieved in reducing harm from both phenomena. The document acknowledges changes in the criminal economy and the economy of terror and the long-term challenges for the future. Finally, it maps out the Government's strategic priorities to address these challenges and the significant areas of focus for public and private stakeholders to maximise the impact against crime and terrorism in the years ahead.¹²⁹ What is immediately apparent from the tenor of the document, is that following a period of review after the 9/11 attacks, it again sets the framework for addressing CTF and AML

¹²⁶ Rennie, D., ‘*Brown and Straw get tough with EU over Terror Laws*’, Daily Telegraph, London, 14 July 2005

¹²⁷ House of Commons NIAC ‘*The Financing of Terrorism in Northern Ireland*’ Fourth Report, July 2002

¹²⁸ HM Treasury, ‘*The Financial Challenge to Crime and Terrorism*’, February 2007

¹²⁹ Ibid, p5

'collectively' and reinforces the notion of a symbiosis between crime and terror, whilst endorsing the need for multilateral engagement to deliver operational impact. This framework was championed and actioned by various stakeholders and explicitly cemented the narrative of addressing terrorist financing through the prism of criminal finance. Whilst acknowledging that terrorism and organised crime are distinct phenomena with differing drivers, it perhaps somewhat surprisingly, advocates a coordinated response around a limited set of common characteristics to enable both criteria to be tackled simultaneously.¹³⁰ As such, criminal finance and terrorist financing interventions are considered synonymous and interchangeable. Indeed, “*The Financial Challenge to Crime and Terrorism*” is peppered with references to the common characteristics of “financial crime and terrorism”. Whilst some of these are at best loosely drawn, this Chapter reflects on the current literature and the key arguments for pursuing this approach and its influence in shaping current public policy on CTF. In doing so, it considers the use of operational methodology to combat CTF through established AML procedures and interventions and questions whether the fusion of AML and CTF around the common utilisation and disguise of money flows, is sufficient to justify this approach overall.

The UK Government and its international partners now routinely employ financial tools to target both crime and terrorism.¹³¹ Moreover, the international framework necessary to achieve this has likewise developed significantly in recent years. Domestically, the Proceeds of Crime Act 2002 (POCA) applies international standards and delivers one of the most powerful legal tools against money laundering of any jurisdiction. This borrows heavily from the financial provisions of Part III of the Terrorism Act 2000,¹³² thus establishing a common legislative approach for AML and CTF in the United Kingdom. On several levels, the threads of commonality can be identified and this perhaps accounts for the consolidated approach in setting the 3 Core Objectives for tackling AML and CTF.¹³³ Each of these are measured against their delivery by actions underpinned by the organising principles set out in the Anti Money Laundering Strategy, 2004,¹³⁴ specifically around

¹³⁰ Ibid, p8

¹³¹ Ibid, p17

¹³² Part III of the Terrorism Act 2000 refers to provisions addressing terrorist property, fundraising, money laundering and the seizure and forfeiture of terrorist cash.

¹³³ These Core Objectives include the deterrence of crime and terrorism, detecting the criminal abuse of the financial system and the disruption of criminal and terrorist activity, see HM Treasury, ‘*The Financial Challenge to Crime and Terrorism*’, p9, February 2007

¹³⁴ HM Treasury ‘*Anti Money Laundering Strategy*’, 26 October 2004

effectiveness, proportionality and engagement. It is precisely the financial measures, bolstered by these principles that have fostered an increasingly integrated approach to tackling crime and terrorism collectively.¹³⁵ It is however, the disparities of sizing the criminal economy and the current economy of terror which are perhaps the starkest and caution against a fully integrated and simultaneous approach. Whilst estimates regarding the size of the criminal economy need to be treated cautiously, the assessed laundering of £Billions per annum through the regulated sector highlights the contrast.¹³⁶ Recent terrorist financing by comparison has been characterised by greater frugality, independence, efficiency and most significantly in recent years by 'non criminal' sources of finance. It is precisely the use of sterile, licit sources of finance regarding the funding of recent domestic terrorist incidents in the UK that question the relevance and value of a consolidated philosophical AML/CTF approach.

This approach has shaped subsequent *Counter Terrorist Finance Strategy and Delivery Plans*¹³⁷ developed by the Home Office to support wider 'CONTEST'¹³⁸ objectives, specifically with the aim of detecting, investigating and disrupting all aspects of the terrorism supply chain, both domestically and overseas.¹³⁹ The influence of AML is evident throughout these Plans as is the emphasis given to maximising the use of broader criminal finance investigation techniques. From a CTF perspective, there is also recognition of the need to address and target those vulnerabilities which have migrated from the domain of financial crime. These include Money Service Businesses (MSB's), cash couriers and new payments methods¹⁴⁰ and an emphasis on law enforcement and regulatory bodies to play key roles in disrupting terrorist financing activity in the UK and overseas, particularly where acquisitive crime is evident. As a result, Her Majesty's Revenue and Customs (HMRC) and the former Financial Services Authority (FSA) were central to CTF efforts through the supervision of the MSB sector under general financial crime statutes such as the Money Laundering Regulations 2007 and the Payment Services Regulations 2009. It is also

¹³⁵ HM Treasury, Op. Cit. p27

¹³⁶ Ibid, p29 and the National Security Strategy, October 2010, Para 1.5, p14, HM Government, TSO.

¹³⁷ HM Treasury and Home Office (OSCT) '*Counter Terrorist Finance Strategy and Delivery Plan*' 2010/11 & 2011/12 see www.gov.uk/government/publications/counter-terrorist-finance-strategy

¹³⁸ HM Government, '*CONTEST: UK Strategy for Countering Terrorism*', July 2011

¹³⁹ HM Treasury and Home Office (OSCT) '*Counter Terrorist Finance Strategy and Delivery Plan*' 2010/11 & 2011/12 see www.gov.uk/government/publications/counter-terrorist-finance-strategy

¹⁴⁰ Ibid

acknowledged that terrorists and donors in the UK tend to raise finance through those means with which they are most acquainted and it is with regard to criminal sources such as minor financial fraud and state welfare abuse that most attention is now focused. As such the emphasis has also shifted to include the UK's general financial regulatory systems and law enforcement processes to combat terrorist financing.

This stance is also reflected in an internal document, the *Threat Finance Toolkit*¹⁴¹ a further compendium published by HM Treasury in 2010 which again draws heavily on AML architecture to combat “Threat Finance”, an umbrella term which refers to the financial elements of all threats to national security including terrorist finance, proliferation finance and insurgency finance. The *Threat Finance Toolkit* documents a range of measures that might be used for the investigation and disruption of illicit financial activity. Again it relies heavily on those assets which have their origin in combating financial crime generally and those regulatory frameworks which underpin this approach. The basket of measures for countering “Threat Finance” thus reads like an AML *a la carte* menu with options around Customer Due Diligence, Suspicious Activity Report's, Customer Information and Account Monitoring Orders, Asset Freezing, Civil Recovery and other Proceeds of Crime Act 2002 provisions. The UK approach to CTF is thus defined heavily by its reliance on AML templates and regulatory frameworks. This reinforces the Government's objective to make financial tools a mainstream part of the UK's approach to tackling all forms of illicit finance.¹⁴² The increasing emphasis on exploiting financial information and disrupting threat finance now requires routine access to sophisticated and detailed financial data generated under the KYC and CDD risk and compliance protocols required by mandate under the AML regime.¹⁴³ This further consolidates the role of AML as a progenitor of UK CTF strategy.

AML and CTF: Financial Responses to Crime and Terror

In recent years however, the reverence previously accorded to CTF has evaporated

¹⁴¹ Internal HM Treasury Publication 2010.

¹⁴² HM Treasury and Home Office (OSCT) ‘Counter Terrorist Finance Strategy and Delivery Plan’ 2010/11 & 2011/12 see www.gov.uk/government/publications/counter-terrorist-finance-strategy.

¹⁴³ ‘KYC’ and ‘CDD’ refers respectively to ‘Know Your Customer’ and ‘Customer Due Diligence’ measures required by statute that now comprise key elements of financial supervision and compliance.

somewhat, accompanied by a challenge to the orthodoxy and assumptions on which it is based. Warde¹⁴⁴ is particularly critical of the use of AML apparatus to combat terrorism and asserts that the almost disproportionate focus on finance has concealed inadequacies of action elsewhere. Indeed, the financial war on terror initiated by the Bush Administration was considered a sham in some quarters, motivated by greed, driven by politics, and manipulated by an administration eager to show results.¹⁴⁵ Warde lists a series of dominant assumptions, which have shaped US public policy on CTF, and chief amongst these is the notion of money as the causal factor in terrorist operations. In addition, he challenges the view that terrorist acts are both expensive and that terrorist finances are plentiful. This resonates with those who advocate marked changes in thinking about the economy of terror in recent years.¹⁴⁶ The key element of Warde's counter narrative however, is that the crime for profit logic runs counter to the funding of politically and ideologically driven terrorism. Crucially he suggests that the two logics are entirely different and indeed antithetical and that the use of a money laundering template to counter terrorist financing is at the origin of many dysfunctions of the financial war.¹⁴⁷ From this perspective, recourse to an AML blueprint makes sense only where the intention is to conceal the origin of the funds.

Implicit within his observations is the notion that terrorist financing is an organic phenomenon and thus shaped by its external environment. Recent changes in the funding methodologies of several UK attack cells, addressed in detail in Chapter 5 of this thesis, further question whether this 'crime for profit' logic is relevant in addressing the challenges of low cost terrorism and the use of non criminal sources of finance. It is precisely the manner in which terrorist groups have managed to adapt to stringent financial controls and look for greater economies in their funding model that adds to the dynamic of modern terrorism.¹⁴⁸ For many, the empirical evidence now suggests that the post 9/11 financing paradigm is so fundamentally different that new counter measures are required. This issue lies at the heart of the Research Question in this thesis and thus seeks to contribute to the debate on the appropriateness or otherwise of the reflexive shoe-horning of terrorist

¹⁴⁴ Warde, I., Op. Cit., p.xv

¹⁴⁵ Turner, M., 'The Politics of Folly: Misapplying Financial Tools in the War on Terror', p363, International Studies Review, Vol 10, Issue 2, p363-365

¹⁴⁶ Napoleoni L., Op. Cit.

¹⁴⁷ Warde, I., Op Cit p46. See also Ridley, N., "Terrorist Financing: The Failure of Counter Measures" E Elgar Publishing, 2012 regarding the dominance of AML in shaping CTF responses.

¹⁴⁸ Arcarya A. & Husin, G., 'Integration of Financial Investigation in Counter Terrorism Strategy', p1, IDSS, August 2006

financing within an AML operational toolkit. The key question flowing from this development therefore is the extent to which policy makers and CTF practitioners have responded to changes in the funding methodologies of autonomous home-grown groups in particular and whether the ethos of AML should continue as the dominant narrative shaping both public policy and operational strategy. Whilst the application of AML apparatus is at the heart of current UK CTF Strategy, this approach is not without its sceptics. Ironically, FATF which has become a key player and architect in policing global financial structures had in 2001, expressed its unease in using a 'cut and paste' AML blue print for CTF.¹⁴⁹ Key questions thus emerge in response to this approach, not least, whether this harmonisation and interplay of language around AML and CTF is a triumph of convenience and bureaucratic alignment or whether this in turn has prevented a more searching and reasoned assessment of the key distinctions and characteristics of each. Thus, any evaluation of CTF to impact 'new terrorism' should be grounded in the current discourse which considers changes in the economy of terror and the emergence of new funding models. Furthermore, any assessment of AML as a valid operational framework for CTF must consider whether acquisitive crime is central to contemporary terrorist financing methodology. As such it is necessary to explore the relationship between terrorism and organised crime and what we conceptually mean by terrorism itself.

Organised Crime and Terrorism: Contrast or Convergence?

Since the end of the Cold War, organised crime and terrorism have been considered as part of an emerging spectrum of non-military threats that challenge the conventional understanding of internal and external security paradigms. This relationship is not new however, as illustrated by the emergence of narco-terrorism in the 1980's in Latin America, where drug cartels and terrorist groups developed de facto strategic alliances.¹⁵⁰ What is notable however, is the way in which government efforts to thwart these two distinct phenomena have become mutually reinforcing. Moreover, governments within the West have come to see organised crime and terrorism as justifying an inter-related series of

¹⁴⁹ FATF-XII, 'Report on ML Typologies 2000-2001,' p19, February 2001

¹⁵⁰ Makarenko, T. 'Terrorism and Transnational Organised Crime: The Emerging Nexus.' 2002. Smith, P., (Ed), 'Transnational Violence and Seams of Lawlessness in the Asia-Pacific: Linkages to Global Terrorism' Hawaii: Asia Pacific Centre for Security Studies – (Forthcoming) qtd in White, J, 'Terrorism and Homeland Security', 7th Edition, Wadsworth, 2012

countermeasures¹⁵¹, which explains in part the interconnectivity of AML and CTF. This represents something of a paradigm shift, given that historically, the police service in the UK typically ‘ring-fenced’ terrorists and terrorism and addressed these threats almost exclusively through counter terrorism structures. The previous protocols governing the remit of Special Branch and the constraints on the wider dissemination of national security intelligence may explain in part this siloed approach. However, given that terrorists have long sought to engage in various types of criminality to further their objectives and crime is an enabler to capability, the Association of Chief Police Officers (ACPO) in the UK is committed to exploiting overlaps between existing counter terrorism and organised crime policing efforts.¹⁵² This may be explained in part on the basis of anticipated enhanced intelligence collection dividends from engagement in both serious and volume crime to provide greater visibility on the terrorist threat at local level. Extremist ideology often provides justification for criminality and ‘absolves’ individuals to pursue attack planning, procurement or financing activity. Indeed, understanding that the denial of criminal opportunities for terrorists can ultimately disrupt their activities, the intelligence services and police increasingly recognise the value of collaborative working and the use of ‘criminal’ (non terrorist) legislative instruments for the purposes of counter terrorism.¹⁵³

This alignment is the product of several factors, not least the fact that in recent years terrorist groups have become highly self sufficient and self financing through criminal activity. The erosion of territorial borders, the spread of democratisation and access to an ever expanding global market and the prevailing political and economic conditions have collectively provided the stimulus for this relationship to develop and prosper. More widely, there is little doubt that the emergence of a complex, sophisticated and globalised black economy provides endless opportunities for terrorists to interface with organised crime syndicates. Several opportunities flow from the synthesis of terrorism and organised crime. The most obvious dividend is the fact that the proceeds of crime provide a vehicle for terrorists to diversify financial sources and spread the risk across multiple funding streams. Moreover, this illicit political economy reduces the risk of forensic scrutiny of their activities by law enforcement and thus stymies the likelihood of financial surveillance

¹⁵¹ Rees, W., ‘*Transatlantic Counter Terrorism Cooperation: The New Imperative*’ Routledge 2006

¹⁵² See www.acpo.police.uk regarding role of ACPO TAM (Terrorism and Allied Matters).

¹⁵³ This includes the Proceeds of Crime Act 2002 and the Police and Criminal Evidence Act 1984

and data retention which is now characteristic of the precautionary logic which shapes much of current public policy around CTF.¹⁵⁴

The extent to which globalisation has complicated the security environment will be considered later in this thesis, however, there is little doubt that enhanced production capacity, emerging markets, technology and financial developments have provided a fertile seedbed for this relationship to flourish. There is little doubt, that the commercial and financial dividends from these developments have been exploited by organised crime.¹⁵⁵ Indeed, globalisation has led to the expansion of parallel economies and such conditions are difficult for criminal and terrorist organisations to ignore. Makarenko¹⁵⁶ charts various crime-terror relationships which have developed between criminally and politically motivated groups and these are of considerable interest and relevance in understanding the contemporary financing of terrorism. Criminal and terrorist groups regularly engage in strategic alliances for mutual benefit, largely around knowledge sharing in respect of money laundering and wider operational support for the purpose of safeguarding infrastructure and access to transit routes etc. The convergence thesis, which envisages both organisations converging into a single entity whilst displaying common characteristics, is of particular interest to those whose focus has been on the funding methodologies employed by Irish terrorist groups. The convergence thesis suggests that terrorist groups, who are intent on generating profit, use their terrorist identity as a justification for unrelated criminal activity. In Northern Ireland for example, the relationship between paramilitary and organised crime groups developed organically and was consolidated further as a result of the terrorist campaign. Whereas previously, recourse to crime was simply a pragmatic vehicle to secure adequate funding platforms for terrorism, those national and transnational networks and infrastructure, which previously facilitated organisational mandates such as weapons procurement and group welfare provision etc., were being used increasingly for private criminal ventures during the later stages of the campaign.¹⁵⁷

These developing relationships are unsurprising given their obvious similarities. Whilst

¹⁵⁴ de Goede, M., Op. Cit., p161-179

¹⁵⁵ van Duyne, P. C., et al ‘ *The Organised Crime Economy: Managing Crime Markets in Europe*, ‘Wolf Legal Publishers, 2005

¹⁵⁶ Makarenko, T., ‘ *A Model of Terrorist Criminal Relations*’ Jane’s Security News, 30 July 2003

¹⁵⁷ ‘ *Twelfth Report of the Independent Monitoring Commission*’ , Para 2.18, October 2006,

conceptually both have been viewed as distinct and separate entities, Sanderson suggests that organised crime and terrorism occupy a common environment or space outside the sphere of law and cites a list of common characteristics which reinforces their mutual interconnectivity. These include the use of extreme violence, threats of reprisals, kidnappings, assassinations and extortion. In addition, both phenomena operate covertly in defiance of the state and the rule of law, with group loyalty and allegiance the dominant characteristics.¹⁵⁸ In addition, there are structural similarities that would appear to make collaboration advantageous for both. Terrorism and organised crime are transnational in orientation and reach; both routinely exploit diaspora communities and crucially both have in the past relied heavily on external sources of funding. In the immediate post 9/11 security environment it was initially difficult to map the distinctions, which characterised terrorism from organised crime, and this perhaps accounts for the harmonisation of CTF with AML. Indeed, Makarenko's 'Crime-Terror Continuum' (CTC) is cited as an illustration of the redundancy of the 'distinctions' argument,¹⁵⁹ albeit acknowledging that politics and ideology remain important factors for terrorist groups.

It would be a mistake however to conclude that the primary beneficiary from this relationship has been terrorist groups. Whilst the desire for finance has prompted closer alliances and the operational plagiarism of funding mechanisms through crime, the most sophisticated organised crime groups have borrowed heavily from terrorist methodology, employing military discipline and tradecraft to shore up their own operational practices. Conversely, 'new terrorism' is increasingly reliant on network and cell based structures and this at least acknowledges the greater security, control and operational autonomy afforded by the prevailing structural configurations of organised crime groups. Central to this model is the notion that terrorism and organised crime exist on the same plane and as such are theoretically capable of converging at a central point. In their traditional guise, both organised crime and terrorism are situated at separate ends of the spectrum, each manifesting distinct positions. However, at the fulcrum of the model lies the 'convergence', the point at which a single organisational entity exhibits both criminal and terrorist characteristics. As such, notions of security should increasingly be considered more as an

¹⁵⁸ Sanderson M. T., ' *Transnational Terror and Organized Crime: Blurring the Lines* ', p53, 2004, SAIS Review XXXIV (1): p49-61

¹⁵⁹ Makarenko, T., Op. Cit. & 2002 Smith P., (Ed), Op. Cit.

amalgam of emerging threats that interact with one another and at times converge. It is in this context specifically, that the “crime-terror continuum” exists.

Whilst the model is more complex than this simple characterisation, it nonetheless provides sufficient justification to consider the notion of a synthesis or nexus emerging between organised crime and terrorism and by extension the use of a coordinated AML/CTF approach. Thus, if the lines of distinction between organised crime and terrorist groups are becoming increasingly blurred and difficulties predominate in determining ideological from criminal motivations, the use of an AML template seemed wholly appropriate for combating terrorist financing. Crucially, the key to this approach is perhaps the centrality of the 'crime for profit logic' and the extent to which the sources of terrorist financing are derived from acquisitive crime. The emergence in recent years however of indigenous, home-grown and seemingly independent terror cells in the UK using 'sterile' non criminal funding platforms, is a significant development and lays challenge to the continued benefits of a shared AML/CTF approach.

In spite of the obvious similarities, Williams nonetheless cautions against broad generalisations regarding cooperation, without first taking cognizance of those barriers and impediments to more effective collaboration. Indeed, he suggests that lumping together disparate phenomena under a simple heading such as a ‘crime-terror nexus’ is unhelpful conceptually and problematic for policy makers.¹⁶⁰ He challenges the linkages between organised crime and terrorist groups which are considered largely circumstantial and rarely tested by solid empirical evidence. He further contends, that any cooperation which may evolve, is likely to be based on expediency and mutual convenience, with alliances rooted mainly in commercial considerations.¹⁶¹ Thus, any assessment of the growing synthesis developing between crime and terrorism must of necessity, understand and recognise the distinct characteristics of each. In essence, organised crime is best understood as an entity committed to profit. Terrorist organisations by contrast, are overwhelmingly committed to political change, effected through the use of violence. As such any engagement with criminality is in the main predicated on facilitating much wider political, religious or

¹⁶⁰ Williams, P., ‘*Terrorist Financing and Organized Crime: Nexus Appropriation or Transformation?*’ p127, qtd in Biersteker, T. J. & Eckert, S. (Eds), ‘*Countering the Financing of Terrorism*’ Routledge Publishers, 2008

¹⁶¹ Ibid, p135

ideological objectives.

The growing global interconnectivity of organised crime, its ability to transmit funds, share information, exploit and manipulate modern technology and provide endless quantities of black market commodities has changed the way some terrorist groups conduct their business. The significant issue is the extent to which otherwise small and insignificant groups can join with organised crime cartels to exercise disproportionate leverage.¹⁶² The implication and logic flowing from this assessment is that alliances between criminal organisations and terrorist groups have yielded major synergies for both entities but particularly for the latter, given that they inhabit the same environment and possess similar requirements for weapons, documentation and funding etc. Nowhere, has the appropriation argument been more compelling, than in the case of the Provisional IRA (PIRA). Whilst historically, PIRA has sought funding from three core platforms; political donations from the Irish diaspora, legitimate commercial ventures and the exploitation of various criminal enterprises, it was overwhelmingly the latter upon which the organisation had been most reliant. The involvement of Republican paramilitary groups in criminal activities for the purpose of generating finance is well documented.¹⁶³ The sophistication of PIRA's financial infrastructure highlighted the reliance on exploiting these core platforms supplemented further by self-financing revenue streams acquired in part from engaging in state welfare fraud.¹⁶⁴

Indeed crime has been the major source of funding for all paramilitary groups in Northern Ireland, and organised crime was significantly greater in scale, impact and complexity than it might otherwise have been, because of such groups.¹⁶⁵ These crime groups ranged from close-knit structures, often based on family or ideological affiliation, to loose networks engaging with other criminals in pursuit of profit. In recent years, Northern Ireland has also emerged as an interesting case study of the political context of crime, as the transformation from civil conflict has been accompanied by unintended consequences. Political, policy and economic factors have all contributed to the changing nature of serious and organised crime

¹⁶² Ibid, p126

¹⁶³ Horgan, J., & Taylor M., '*Playing the Green Card: Financing the Provisional IRA.*' Terrorism and Political Violence, 11/2 p1-38, 1999

¹⁶⁴ Select Committee on Northern Ireland Affairs, '*The Financing of Terrorism in Northern Ireland*' Fourth Report, July 2002 & OCTF Threat Assessment 2003, www.octf.gov.uk

¹⁶⁵ '*First Report of the Independent Monitoring Commission*', p38, HMSO, April 2004

with several paramilitary groups, Loyalist and Republican alike, taking advantage of the new physical and social spaces which have emerged.¹⁶⁶ The prevailing view in recent years is that there has been a shift from paramilitary terrorism to paramilitary crime.¹⁶⁷

Indeed, operational environment is assessed as a key factor in shaping terror group involvement in organised crime. The presence of regulators, law enforcement, allied to the capacity and scale of opportunities for exploitation and the potential competition from existing organised crime syndicates are all key factors. Thus engagement with criminality is not risk free. Kostakos & Kostakos¹⁶⁸ suggest that a fragile balance between the external and internal criminogenic environment determines the survival and lifecycle of such groups. Globalisation, information communications technology, developments in finance and transportation are all cited as external forces which affect the criminogenic balance of organised crime and terrorist groups. Such technologies are being employed internally by terrorist and organised crime groups to achieve equilibrium with their external environment. Adaption to such change is vital for the continued existence of such groups.

Further studies have indicated that terrorists who engage in criminal activity risk diluting their ideological focus.¹⁶⁹ Furthermore, the command and control mechanisms of organised crime often run contrary to the ideals of terrorist groups which rely mainly on community and stakeholder endorsement. Thus engagement with organised crime requires careful consideration and management if the dividends in terms of pecuniary and logistical support are to outweigh the dangers. Terrorist groups often mutate into criminal enterprises, reflecting changes in the political landscape, where disillusionment with political progress often results in the triumph of profit over ideology. This was and to an extent remains the case in Northern Ireland, where terrorism spawned legions of volunteers who were routinely engaged in criminality over several decades. These individuals not surprisingly have acquired a skills set, based on disciplined military-style tradecraft, which is now being routinely exploited for personal gain – a disturbing legacy of the Irish terrorist campaign.

¹⁶⁶ Moran, J., 'Paramilitaries 'Ordinary Decent Criminals' and the development of Organised Crime following the Belfast Agreement,' p13, International Journal of the Sociology of Law, May 2004

¹⁶⁷ 'Third Report of the Independent Monitoring Commission', p27, HMSO, November 2004

¹⁶⁸ Kostakos, P. A., & Kostakos, V., 'Criminal Group Behaviour and Operational Environments' ECPR Standing Group Newsletter, Vol. 5, Issue 2, May 2006, p8-9

¹⁶⁹ Picarelli, J., & Shelley, L., 'Organised Crime and Terrorism' qtd in Chapter 3, Giraldo, J. & Trinkunas, H. T., 'Terrorism Financing and State Responses: A Comparative Approach,' p50, Stanford University Press, 2007

Initial assessments by the Organised Crime Task Force concluded that in excess of 70% of transnational organised crime groups operating in Northern Ireland evolved from the various paramilitary groups active during the conflict. Whilst recent assessments from the Independent Monitoring Commission¹⁷⁰ have declared that PIRA as an organisational entity is committed to an exclusively political path, in its transformational guise, it was assessed as an “increasingly obvious criminal conspiracy, engaged in significant money raising and money laundering operations in the absence of an armed struggle.”¹⁷¹ Whilst cooperation between organised crime and terrorist groups had clearly increased, the key issue yet to be determined, is the extent to which the ‘appropriation’ of organised crime methodology is likely to continue given the shift lately towards independent terror cells and the use of non criminal sources of finance or low level micro financing methodologies.

A Triumph of Convenience: Can AML be applied to CTF?

In addressing the Research Question, it is therefore essential to consider the financial responses to terrorism and the extent to which the emphasis on AML principles are justified. CTF as a discipline is predicated on an understanding of the methods employed by terrorist groups in raising, storing, moving and using funds for terrorism. The relationship between organised crime and terrorism clearly provided an opportunity for policy makers and law enforcement to borrow heavily from the existing tool kit, given the assumed similarities and parallels of both phenomena. Whilst this had undoubted advantages where the funding platforms involved an element of financial crime, the use of countermeasures constructed for one domain were not guaranteed to deliver impact to another. To assume so, often ignores the subtleties and nuances of each. Yet there is little doubt that the global AML regime has had a profound impact on both legislation and institutions and that CTF practitioners have also benefited hugely from these developments. This is manifest above all by the criminalisation of money laundering activities generally, the emphasis accorded to the SAR’s regime, the regulation of money service businesses and the widespread establishment of Financial Intelligence Units (FIU's). Crucially it is perhaps the alignment of core risk and compliance functions such as KYC policy and CDD

¹⁷⁰ ‘Twenty Third Report of the Independent Monitoring Commission’, HMSO, May 2010

¹⁷¹ Horgan, J. & Taylor, M., Op. Cit. p1-38

protocols which have provided key indicators for identifying potential terrorist financing.¹⁷²

However, the value added from the AML regime in ‘drying up’ terrorist financing is more difficult to assess. Indeed in the context of acquisitive crime alone, there is some debate on the efficacy of AML measures to impact the acquisition and movement of funds generally.¹⁷³ This Chapter has therefore sought to consider the historical context in which the interconnectivity emerged and whether this amounts to a “triumph of convenience”, where the ease of applying a ready-made ‘off the shelf’ process model took precedence at a time of vulnerability and confusion. It has sought to provide a challenge function to the narrative around ‘similarity’ and whether this simply dominated policy discussions at the expense of more reasoned discourse on the apparent distinctions of each phenomena and the elevation of specific rather than a general suite of counter measures.

Whilst it is logical that curbing terrorist financing must correspondingly restrict the scale and impact of terrorist action, the immediate financial requirements of recent terror cells are now so modest, that law enforcement may be relatively powerless to intervene. Moreover, regulation alone without the appropriate financial intelligence development and overt action around the micro-financing of terrorism is unlikely to undermine the capacity of such groups. The democratisation of violence, the emergence and emphasis on networks and the exploitation of technology, have all contributed to a reduction in the cost of financing terror generally. Increasingly, the volume of monies required to fund terrorist operations is smaller and such amounts can easily evade the formal banking system. Whereas the bulk of funding streams have historically been focused on maintaining organisational infrastructure, this has become less significant in recent years as a host of domestic attacks now confirm.¹⁷⁴

It would be somewhat disingenuous however to ignore the value of AML measures to combat terrorist financing by focusing on the relatively small sums required to stage recent terrorist attacks. It is now widely accepted, that terrorists can be operational for relatively

¹⁷² Arcarya A., & Husin, G., Op. Cit., p2

¹⁷³ Levi, M., ‘*Lessons for Countering Terrorist Finance from the War on Serious and Organized Crime.*’ p269, Chapter 12, p260-288 qtd in Biersteker, T. J., & Eckert S., (Eds), ‘*Countering the Financing of Terrorism*’ Routledge Publishers, 2008

¹⁷⁴ Klausen, J., ‘*British Counter Terrorism After 7/7: Adapting Community Policing to the Fight Against Domestic Terrorism*’ Journal of Ethnic and Migrations Studies, Vol.35, Issue 3, 2009

modest amounts. Whilst the 9/11 hijacking is assessed to have cost in the region of \$500,000 for travel, training and expenses¹⁷⁵, the cost/impact ratio of the incidents in Madrid, London and Glasgow illustrate significant shifts in the economy of terror. It would be a mistake to simply focus on the operational costs alone in constructing effective counter strategies to terrorist financing. The costs of financing terrorism in its widest sense range from maintaining organisational infrastructure, post incident forensic management, recruitment, training, group welfare and transportation. Thus, where funds have been acquired through the exploitation of various criminal enterprises, an AML template should deliver operational impact. That said it is extremely difficult to achieve any meaningful quantitative metric for AML interventions. Most notably, the measurement efforts at the FATF¹⁷⁶ have not yielded anything remotely precise enough to be used with any confidence for evaluating control attempts.¹⁷⁷ The same applies to the nine Terrorist Finance Recommendations grafted onto the original forty core Money Laundering Recommendations.¹⁷⁸ In addition, whilst the impact of the European Union Money Laundering Directives have yet to be fully evaluated, there appears to have been little progress around CTF, save for the substantial regulatory penalties levied in the UK. In truth, these have served as little more than symbolic displays of unacceptable practices although strengthened further with the threat of reputational risk for financial intermediaries.¹⁷⁹ Whilst there has been more of a seamless transition in the US in collectively addressing the challenges posed by organised crime and terrorism, the same cannot be said for Europe, where security challenges have often cut across organisational competences.¹⁸⁰ Such issues needless to say frustrate wider action around counter terrorist financing within these jurisdictions.

The adoption of those prevailing money laundering principles and their application in combating terrorist financing will in the future doubtless require further research. Wider issues demand further examination, not least the extent to which AML typologies and

¹⁷⁵ 'National Commission on Terrorist Attacks Upon United States, *Terrorist Financing Staff Monograph*,. Appendix A, p131, <http://govinfo.library.unt.edu/911> accessed 23 August 2013

¹⁷⁶ FATF is an intergovernmental body established at the G7 Paris Summit in 1989 to set standards and promote regulatory and operational measures to combat money laundering and threats to the integrity of the global financial system. See www.fatf-gafi.org

¹⁷⁷ Levi, M., Op. Cit. p271

¹⁷⁸ www.fatf-gavi.org accessed 14/9/12

¹⁷⁹ Levi, M., Op. Cit. p269, in Biersteker, T. J. & Eckert S., (Eds), Op. Cit.

¹⁸⁰ Rees, W., 'Securing the Homelands: Transatlantic Cooperation After Bush' *British Journal of Politics and International Relations*, 2009, Vol 11, No 1, February 2009, page 108-120.

software are conducive to identifying indicators of targeting terrorist financing. Whilst it is perhaps easy to focus on the apparent similarities between terrorism and organised crime, more time should be devoted to understanding the wider ideological, structural, and cultural characteristics of each. The application of lessons from the control of transnational organised crime to the control of financing terror is a particularly difficult task, and compounded more given the asymmetric nature of recent threats from home-grown Islamist terrorism and the funding models employed.

There are obvious parallels in this context flowing from the work of Sageman and his “leaderless jihad theory”¹⁸¹ Whilst conventional thinking around CTF has focused on the need for terrorist groups to have sufficient financial capacity to maintain and sustain organisational infrastructure, the emergence of flatter, ‘bottom-up’ spontaneous networks which are largely self funding, lays challenge to these assumptions. Social networks and group dynamics are central to Sageman's research and his contention that Islamist terrorism has been fuelled by spontaneous self-organisation of informal collections of people. Existing law enforcement models of organised crime which are based on discreet criminal groups with clearly defined hierarchical structures will require revision to take account of looser flexible networks and the emerging emphasis on decentralised structures. Given the emergence of self-sufficient networks, Al Qaeda Core no longer needs finances to maintain its organisational infrastructure on the scale previously required. As such, these developments now demand a shift on the part of intelligence agencies and law enforcement to challenge those wider assumptions on the funding requirements of terrorist organisations generally. The focus on the social organisation of terrorism in Chapter Three of this thesis will further enrich our understanding of the likely funding requirements of these cells in future years. Law enforcement must therefore enhance its capability to respond to these changes and match the flexible exploitation of globalisation in particular. In response to this more frugal and leaner funding model, ‘crime for profit’ logic, the ideological reference point for CTF, may gain a second wind, as the micro-financing of terrorism from volume crime assumes greater importance in the years ahead. Therefore, as the focus shifts to ‘new terrorism’ and globalisation and the self-sufficiency status of terror group networks, the ‘crime for profit’ ethos of AML may by default, again prove valuable in this new

¹⁸¹ Sageman, M., *Leaderless Jihad: Terror Networks in the Twenty First Century.* University of Pennsylvania Press, 2007

dispensation.

Yet perhaps the real value of using a money laundering template to attack terrorist financing has been in developing a mindset around the study and investigation of financial crime generally. It is the integration of financial investigation into counter terrorism strategy which is perhaps the real success. Historically, financial investigation was a post incident phenomenon; however more recently the value of financial data as an intelligence asset is more fully understood as highlighted by the August 2006 bombing plot in the UK.¹⁸² By focusing on audit controls, regulation and greater transparency and a commitment to develop international banking compacts and asset freezing, an unintended dividend has emerged. Money is now understood as a form of intelligence.¹⁸³ The emphasis accorded to mining financial data for intelligence purposes is now central to UK counter terrorism strategy.¹⁸⁴ The real question perhaps, is the extent to which success in combating terror is increasingly wedded to financial intelligence development rather than AML frameworks. The value and utility of financial data generally will be discussed further in Chapter Four.

Therefore, any assessment of the financial responses to terrorism cannot ignore the clear integration of financial investigation into UK national counter terrorism strategy and the emphasis on financial intelligence assets which are now a central feature of counter terrorism interventions generally. Thus whether by accident or design, AML architecture has made a significant contribution to counter terrorist financing. It is ultimately for others to decide the extent to which this is simply serendipitous; a triumph of convenience and bureaucratic alignment, rather than a carefully articulated programme of measures. In the final analysis, successful law enforcement interventions are defined by context. The harmonisation of CTF with AML made infinite sense in the aftermath of 9/11 given the UK's previous experience and understanding in attacking the finances of Irish terrorist groups. The emphasis which these groups placed on exploiting criminal commodities required an approach tailored overwhelmingly to combating acquisitive crime. Recent changes in the 'financial organisation' of terrorism and the changing funding models of

¹⁸² Arcarya A., & Husin, G., Op. Cit, p1

¹⁸³ Suskind, R., *'The One Percent Doctrine; Deep Inside America's Pursuit of its Enemies Since 9/11,'* p144, Simon & Schuster, June 2006.'

¹⁸⁴ HM Treasury, 2007, Op Cit., p31

home-grown UK attack cells and their emphasis on non criminal funding streams, may ultimately determine whether new approaches to CTF are required in the future.

CHAPTER THREE

The Social Organisation of Terrorism: Counter Terrorist Financing (CTF) and 'New Terrorism.'

The challenge for those constructing counter terrorism strategies is to recognise the utility of terrorism as a tactic and to understand the nature of emerging security threats and challenges. In respect of the former, one of the most convincing arguments for terrorism as a means to advance ones interests is that it is less resource dependent and logistics intensive than conventional warfare. Crucially in the context of this thesis, terrorism has been subject to some financial remodelling in recent years and is now relatively inexpensive to resource.¹⁸⁵ As a general rule, most terrorist organisations exploit two key asymmetries. Whereas counter terrorism professionals must consider and protect all areas of vulnerability, terror groups by contrast can limit their targeting and exploitation to a single area of weakness. Second and crucially in CTF terms, the costs of planning and executing a terrorist attack are merely a fraction of those incurred in defending these conspiracies. As a result, the nature of contemporary terrorism reverses the conventional military view that the offense should be three times that of the defence.¹⁸⁶ Thus in the context of resourcing and terrorist financing, such a ratio is significant and presents considerable challenges for successful CTF interventions.

In recent years, the academic sector has focused on the emerging threat from 'new terrorism', which is routinely characterised by different motives, actors, sponsors and lethality than previous forms of political violence.¹⁸⁷ Though multidimensional in nature, it is primarily the emergence of diffused, networked and franchised terror cells and their perceived use of new funding methodologies which is of most relevance to CTF practitioners. This Chapter will thus focus on the notion that a 'newer' and increasingly

¹⁸⁵ This can be attributed in part to UNSCR 1373, FATF and Egmont AML/CTF Programmes. See Chapter Two

¹⁸⁶ Bremmer III, P. L. 'A New Strategy for the New Face of Terrorism' The National Interest, Thanksgiving, November 2001

¹⁸⁷ Zimmerman D. & Wenger A., 'The Transformation of Terrorism: International Relations and Security Networks', Chapter 1, January 2003, p9-23 and Lynch, O. and Ryder, C., 'Deadliness, Organisational Change and Suicide Attacks: Understanding the Assumptions Inherent in the Use of the Term 'New Terrorism'', Critical Studies on Terrorism, Vol 5, No.2, August 2012

autonomous form of domestic terrorism has evolved in the UK in recent years. It will also consider whether this has spawned changes in the economy of terror and encouraged new sources of finance to resource home-grown' jihadist cells.¹⁸⁸ The notion that a 'newer' threat phenomenon has developed, accompanied by a paradigm shift in the resourcing of such entities, is clearly of major interest to those tasked with combating the financing of terrorism.

Whilst acknowledging the wider debate on the novelty of 'new terrorism', in the context of this thesis, it is specifically the implications for CTF policy and the efficacy of operational strategy from these developments, which lie at the heart of this research. This Chapter frames the key issue underpinning this thesis, namely the extent to which 'new terrorism' is sufficiently distinctive that new approaches to counter terrorist financing are required. As such, it is necessary to reflect further on the concept of 'new terrorism' as this has fostered a paradigm shift in the way that academics, policy makers and counter terrorism professionals now interpret recent security threats.¹⁸⁹ Indeed, the concept of 'new terrorism' captures the notion that there has been a revolutionary transformation in the nature of terrorism.¹⁹⁰ At the outset, it is acknowledged that 'new terrorism' is a concept that has been used by many commentators yet questioned by few.¹⁹¹ Recent research undertaken by Lynch and Ryder¹⁹² examines the use of the term in a sample of terrorism literature to identify whether it represents a stable concept within the field of terrorism research. In short, they highlight its varied and inconsistent use and conclude that the notion of 'new terrorism' is problematic, given that it does not reflect a coherent category for analysis.¹⁹³ Notwithstanding this difficulty, organisational structure and organisational change, widely acknowledged, as the key characteristics of 'new terrorism' will be the focus of this chapter.

As indicated previously, the organisation of 'new terrorism' is addressed in this chapter in terms of the wider political, social, economic and cultural change from which it emerged. Changes in communications technology and financial architecture in particular have

¹⁸⁸ Acharya, A., 'Small Amounts for Big Bangs: Rethinking Responses to Low Cost Terrorism,' p286, Journal of Money Laundering Control, 12.3 2009

¹⁸⁹ Field, A., 'The 'New Terrorism': Revolution or Evolution?', p195, Political Studies Review; 2009, Vol.7.

¹⁹⁰ Ibid

¹⁹¹ Duyvesteyn, I., 'How New Is New Terrorism?' Studies in Conflict and Terrorism, Vol 27, No.5, 2004, p439

¹⁹² Lynch, O. and Ryder, C., Op. Cit

¹⁹³ Lynch & Ryder Op. Cit p. 272

impacted the social organisation of terrorism and undermined the dominance of hierarchies in favour of base level operatives who rely increasingly less on the leadership for operational sanction. What has emerged therefore are autonomous groups that are self-mobilised, self-sufficient and crucially, increasingly self financing.¹⁹⁴ This shift in contemporary terrorism as a response to wider changes in the global environment has enabled terrorist leaderships to undertake functions which differ radically from their predecessors. Proximity and regular engagement are no longer deemed critical. Whilst impacting on perceptions of community and collegiality, these developments now enable leaderships to devolve aspects of operational control and to focus instead on providing strategic guidance. Indeed, recent terror attacks in Europe and the UK has confirmed the propensity towards organisational autonomy and the corollary of self-sufficiency, frugality and legitimacy across a range of funding mechanisms. It is in this context that 'new terrorism' will be considered.

Deja vu: How New is 'New'?

The idea that the world confronts a 'new' terrorism unlike the terrorism of the past has thus taken root in the minds of policy makers, journalists and academics to the extent that our knowledge of traditional notions of terrorism is for some now considered irrelevant, obsolete and anachronistic.¹⁹⁵ At ministerial level, the UK clearly embraced the notion that terrorism had changed. Indeed, in October 2006, Gordon Brown as Chancellor of the Exchequer referred to new terrorist threats of which there was "no real precedent".¹⁹⁶ This accounts for his previous address, which more fully considered new targeted financial measures to impact terrorist financing.¹⁹⁷ The UK Home Secretary in a speech to the Institute of Public Policy Research later echoed this in October 2008 in which she noted new forms of terrorism emerging with new motivations and greater complexity than previously encountered.¹⁹⁸ As a result, what emerged were a dismissal of old terrorism paradigms and an endorsement of new studies which stressed the unprecedented

¹⁹⁴ Kirby A., 'The London Bombers as Self-Starters: A Case Study in Indigenous Radicalization and the Emergence of Autonomous Cliques', *Studies in Conflict and Terrorism* 30(5) 2007 pp415-28

¹⁹⁵ Crenshaw, M., 'New v Old Terrorism: a Critical Appraisal.' p25 in Coolsaet R, (Ed.) *Jihadi Terrorism and the Radicalisation Challenge in Europe*, Ashgate, 2008

¹⁹⁶ www.guardian.co.uk/politics/2006/oct/10, accessed 18 October 2012

¹⁹⁷ Speech by HM Chancellor, Gordon Brown MP, 'Securing Our Future' to RUSI, London, 13 February 2006, www.nationalarchives.gov.uk, accessed 29 October 2012.

¹⁹⁸ www.homeoffice.gov.uk/news-publications accessed 18 October 2012

characteristics and nature of these new security threats. Thus for some commentators¹⁹⁹ significant changes have occurred in the aims, methods and structure of terrorist groups to support the notion of a shift from 'old' to 'new' terrorism.

Whilst in academic terms the concept of 'new terrorism' predated the 9/11 attacks, it is these events which have accelerated its use. At the heart of the 'new terrorism' debate is the notion that there has been significant change in the nature of terrorism itself. Indeed it was suggested that those terrorist organisations that dominated the political landscape during the 1980's and 90's had morphed into more conciliatory entities and were replaced with more extreme and indiscriminate forms of terrorism. Difficulties have surfaced however, in attempting to provide a coherent explanation for these developments. Indeed the transformation from 'old' to 'new' terrorism has been neither uniform nor universal.²⁰⁰ The notion that a 'new' and distinctive form of terrorism had emerged, acquired a currency and momentum, due in part to political factors and the requirement to both resource and legitimise policy preferences. Whether 'new terrorism' is as distinctive or as consistent with previous forms of terrorism will remain a matter of vexed debate. Its principal significance however, is in the ensuing policy and operational responses which follow from these discussions. New challenges inevitably require new solutions as policy makers and practitioners are encouraged to consider new systems and methods to impact these developments. It is precisely around determining whether these threats are sufficiently distinctive and of such scale and significance, that conventional [AML] responses to terrorist financing require redress.

Various scholars in recent years have articulated a new paradigm for terrorism that includes different actors, motivations and outcomes from the old terrorism of the 20th century. Hoffman advocates a “sea-change in our thinking” to counter these developments.²⁰¹ Whilst acknowledging elements of continuity, the proponents of 'new terrorism' see a clear shift in the motives, strategies, characteristics and tactics of terrorism, and see these distinctions as

¹⁹⁹ Hoffman, B. 'Inside Terrorism' Columbia University Press 1998, Laqueur, W., 'The New Terrorism: Fanaticism and the Arms of Mass Destruction', Oxford University Press, 1999 and Laqueur, W., 'Post Modern Terrorism: New Rules for an Old Game', Foreign Affairs, 75(5) September 1996 and Benjamin, D and Simon, S., 'The Age of Sacred Terror: Radical Islam's War Against America', New York, Random House, 2003

²⁰⁰ Neumann, P. R., 'Old & New Terrorism', Polity Books, 2009, p47

²⁰¹ Hoffman, B., 'Inside Terrorism' New York, Columbia University Press, 2006, p200

a product of an evolving international environment.²⁰² Indeed, Hoffman highlighted the emergence of new trends, tactics and potentialities as far back as 1993 and later cited new motivations and rationales to challenge conventional notions of terrorism and its overwhelmingly monolithic, hierarchical organisational form.²⁰³ Whilst early characterisations of 'new terrorism' emphasised networked, diffuse and amorphous forms,²⁰⁴ more recent mutations have seen an emphasis on greater structural and operational autonomy. Indeed, given that terrorism inevitably responds to changes in the external environment, it is not surprising that 'new terrorism' has seemingly shifted once again. Whilst the most dramatic structural reform saw a move from hierarchical national entities to looser affiliated global networks, these more recent manifestations based on greater independence, arguably lay challenge to contemporary counter terrorism responses.

For Bobbit²⁰⁵ terrorism has morphed to embrace the opportunities flowing from the decentralised privatised “market state” of the 21st-century. He offers a lament on the decline of national sovereignty in a globalised age. His central premise is that 'new' terrorism resembles a distorted mirror-image of the decentralised and increasingly privatised post-Westphalia market-state. He acknowledges the shift from 'old' to 'new' terrorism by focusing on a revised paradigm for war in the 21st Century and advocates a shift in our understanding of war for the years ahead. He maintains that throughout history, terrorist groups broadly resemble the political state they confront. He cites the United States as the chief architect of globally networked terrorism, a by-product of its strategic dominance, as 'new' terrorism has adopted many features which have evolved from wider economic, social and technological developments.

'New' terrorism is thus simultaneously dependant upon and hostile towards the globalised economy and the benefits it affords. Indeed for Ferguson²⁰⁶ just as the plagues of the 14th Century were unintended consequences of trade and urbanisation; so 'new' terrorism is a negative externality of our globalised world. Thus outsourcing, decentralisation, migration

²⁰² Copeland T., 'Is *The New Terrorism Really New? An Analysis of the New Paradigm for Terrorism.*' Journal of Conflict Studies, Winter 2001, Vol. XXI, No.2, p7

²⁰³ Hoffman, B., 'Terrorist Targeting: Tactics, Trends and Potentialities', Terrorism and Political Violence, 5 (2) pp12-29, 1993 and Hoffman, B., 'Inside Terrorism' New York, Columbia University Press, 2006

²⁰⁴ Wilkinson P. 'Implications of 9/11 for the Future of Terrorism' in Buckley M., & Fawn R., (Eds) 'Global Responses to Terrorism', London, Routledge, 2003, p25-36

²⁰⁵ Bobbit P., 'Terror and Consent: The Wars for the Twenty- First Century, Alfred A Knopf, 2008

²⁰⁶ Ferguson N., 'War Plans' The New York Times, Sunday Book Review, April 13 2008, www.nytimes.com

and technology are enlisted as both distinctive characteristics and key assets in this campaign. For Bobbit, new measures are thus required to confront these new threats. The nature of war [and indeed terrorism] has changed significantly since 9/11 and as such we must redefine our strategic approach to war and our ability to thwart future terrorist atrocities. Market-states must respond appropriately to this new configuration rather than fight traditional wars. As such, pre-emptive security action and jury-sanctioned coercion are strongly advocated. Old foreign policy doctrines, which advocate unilateralism, deterrence and containment, are no longer relevant. (See Chapter Two) As such, the shift from 'old' to 'new' terrorism may require some revised thinking around how best to address the financing of terrorism in future years.

Several commentators however have questioned the 'novelty' of 'new terrorism', suggesting that the distinctions are largely artificial and exaggerated.²⁰⁷ It is primarily in determining the efficacy of these challenges that provides the basis to consider the value of current CTF interventions. Duyvesteyn²⁰⁸ is not convinced of a shift from “old” to “new” terrorism and suggests that there is perhaps more continuity than change. Moreover, she attributes the shift in character as a product of external factors which has impacted terrorism, rather than any conscious desire to mutate. She cites several key continuities between old and new terrorism which challenge the distinction that is implied, primarily those which exist around territorial focus, transnational links and networked structures. Furthermore she suggests that political, ideological and religious themes strongly overlap which again further weakens the notions of transformation.

Crenshaw is also critical of much of the literature on 'new terrorism' and its failure to clearly specify the concept and chart those key distinctions from old terrorism. Indeed, she suggests that contemporary terrorism shares many of the characteristics of its historical forebears.²⁰⁹ Whilst organisational structure is by far the most cited characteristic used to compare and contrast the two terrorism models, Crenshaw again seeks historical precedent and cites the 19th Century anarchists as the forerunners of today's autonomous jihadist

²⁰⁷ See Tucker 2001, Duyvesteyn 2004, in Field A., 'The 'New Terrorism': Revolution or Evolution?', Political Studies Review; 2009, Vol.7, p195

²⁰⁸ Duyvesteyn, I., 'How New is the New Terrorism', Studies in Conflict and Terrorism, Vol 27, No.5, September-October 2004, p439-454

²⁰⁹ Crenshaw, M., Op. Cit. p25

terror cells. Whereas 'new' terrorism may have more self-generating tendencies than some earlier forms of terrorism, for Crenshaw it is not without direction.²¹⁰

Her concerns are anchored primarily in the notion that in the post 9/11 environment, policy makers and government officials have come to view jihadist terrorism in particular as radically new and distinct from its predecessors. It is suggested that these distinctions can be evidenced from three key characteristics; goals, methods and organisational composition.²¹¹ Whilst conceding that terrorism has changed, she suggests that the departure from the past is neither as pronounced nor qualitatively 'new', but rather grounded in historical context. The goals of 'new terrorism' are assessed as being both unlimited and non-negotiable, with fanaticism rather than political interest as the primary motivation. By contrast, the goals of 'old' terrorism are pragmatic, negotiable and limited, local rather than global in nature and much more specific and restrained in terms of targeting. Thus traditional terrorism was largely constrained by its dependence on constituencies and their political interests. Indeed, the quest for political legitimacy often acted as a bulwark against operational excess.

For Crenshaw the appeal of "new terrorism" is rooted in the desire for major policy change, a justification perhaps, for the "global war on terror", the pre-eminence of pre-emption and a variety of domestic security initiatives which by their nature inevitably restrict civil liberties. Thus if policy makers are increasingly reliant on a set of simple assumptions about terrorism, Crenshaw suggests they no longer need to worry about a contradictory or confusing reality. In this context, policy is often framed on metaphors, narratives and analogies and a heavy reliance on prior cognitive assumptions. Crenshaw invokes previous studies by Rapoport²¹² to bolster this view and cites his analysis of the historical evolution of terrorism in terms of 'waves', a structured history of modern terror charting its evolution through anarchist, anti-colonial, new left and religious 'waves'. Indeed, Rapoport sees each 'terrorism' wave ebbing as the new wave takes force and although not qualitatively different from the preceding waves, does suggest a natural process of evolutionary replacement. He thus attributes many of the features of 'new terrorism' to the fourth wave and its emphasis

²¹⁰ IRRI Conference, 2006, www.irri-kiib.be/speechnotes/060213-jihad.terr/crenshaw

²¹¹ Ibid, p27

²¹² Rapoport D. C., 'The Four Waves of Rebel Terror and September 11' *Anthropoetics* 8, No.1 Spring/Summer 2002, www.anthropoetics.ucla.edu/ap0801/terror.htm, accessed 27 September 2012

on religious motivation.

Crenshaw likewise acknowledges differences amongst groups though attributes such changes largely to a changing environment, specific opportunity structures, globalisation and evolutionary progression. Crenshaw nonetheless voices concern against dispensing with our historical understanding of terrorism, as policy rooted in assumptions often has grave implications for the construction of effective counter strategies. Field ²¹³ endorses this view and acknowledges the attractive simplicity of embracing the concept of 'new terrorism' but again questions whether the behaviour of terrorist groups has altered sufficiently to mark their current guise as significantly transformational.

The new terrorism model assumes that religion is the main precipitating factor of those groups with millennial or apocalyptic ideologies. 'New' terrorists are assessed as having ambiguous goals on a systemic level and to value destruction for its own sake. By contrast, 'old' terrorism is considered more pragmatic reasonable, comprehensible and specific. Crenshaw however is unconvinced of the accuracy of such categorisations. In particular she cites the broad transnational goals of 'old' Anarchists and more recently the German and Italian terrorist groups of the 1970's and 80's. Moreover, even strict jihadist groups are not without a clear strategy or concrete demands as the communiqué of 2005 between Zawahiri and Zarqawi confirms.²¹⁴

Zimmerman likewise advocates “*a sceptical treatment of the 'new terrorism' paradigm.*”²¹⁵ Whilst there has been considerable emphasis on new structural templates to support the notion of a 'new terrorism' by some commentators, Zimmerman suggests that terrorist groups in the 1970's had likewise established highly sophisticated organisational structures which were extremely resilient and flexible. Moreover, he suggests that the precursor to the current diffused templates was the operationally decentralised cell structure with its independent command units, predicated in large part on those operational processes typical of traditional hierarchical military configurations. Excluding the emotional language and narrative around 'new terrorism', Zimmerman likewise sees little to differentiate

²¹³ Field, A., ‘*The 'New Terrorism': Revolution or Evolution?*’, p195, Political Studies Review; 2009, Vol.7.

²¹⁴ Crenshaw, M., Op. Cit.

²¹⁵ Zimmerman, D., ‘*Terrorism Transformed: The 'New Terrorism' Impact, Scalability and the Dynamic Reciprocal Threat Perception*’, p19, The Quarterly Journal, Vol III, No. 1 March 2004, pp19-39

contemporary terrorism from its predecessors. Indeed, he suggests that it is best understood in terms of impact, scalability and the dynamic of reciprocal threat perception and the potential use of weapons of mass destruction (WMD's). It is primarily these characteristics, which distinguish it from conventional terrorism. Therefore, what is perhaps most apparent, is that the definitional debate on the characteristics of traditional and 'new terrorism' has achieved consensus only insofar that there is no meaningful agreement on what exactly constitutes terrorism and thus by implication, 'new terrorism'.

Zimmerman further cautions against making assumptions about terrorist entities or “*political violence movements*” (a term he uses to describe the behaviours and characteristics of 'new terrorism') based on abstractions of terrorism, as these may “permeate government decision making, translate into policy directives, and result in huge fiscal commitments and superfluous exertions.”²¹⁶ Whilst acknowledging that distinctions do exist between traditional and 'new terrorism', Zimmerman suggests that these are essentially quantitative rather than qualitative and framed around the capacity for lethality and impact. What therefore distinguishes these “*political violence movements*” from their predecessors is the scale of conventional and unconventional mass destruction and how this in turn translates into psychological leverage. It is this, and the fact that target selection is perhaps more ambitious, that represents the only innovative aspect of contemporary terrorism.

This debate is further infused by Neumann²¹⁷ who suggests that some observers have failed to understand the specific context and circumstances from which this new brand of terrorism has emerged and most significantly, equates the shift in contemporary terrorism as a response to wider changes in the global environment. For Neumann, 'new' terrorism cannot be understood without making sense of the dynamics that have been caused by late modernity and globalisation. These include changes in the structure and modus operandi of terrorist organisations from which new political agendas have emerged from these developments. Just as difficulties prevail in making distinctions and ascribing definitions of 'old' and 'new' terrorism, the same is true in respect of achieving a consensus on what constitutes 'late modernity and globalisation' in this context. For Neumann, the former

²¹⁶ Ibid, p37

²¹⁷ Neumann, P. R., Op. Cit., p3

should be considered as those social, political and economic processes which characterise modern society and include the growth of capitalism, representative democracy, urbanisation and industrialisation in its current form. As such, globalisation is seen as one of the defining characteristics of late modernity rather than an entity in itself. Whilst there are those who challenge the very notion of globalisation²¹⁸ Neumann's thesis is based on the proposition that globalisation exists. Held and McGrew²¹⁹ proffer a matrix of processes which attest to the existence of globalisation which includes an increase in transnational flows of people, goods and services and the creation of new transcontinental networks of activity and interaction.

Yet whilst globalisation has been touted as a panacea for many of the most vexed social and economic problems befalling contemporary societies, much of what globalisation has spawned by way of collective benefit has not surprisingly also been exploited by extremists. It is precisely the fruits of globalisation which generates most concern amongst counter terrorism practitioners and officials. Moreover, it is primarily the information revolution that lies at the heart of these developments. Neumann cites the enhanced ability to maintain, communicate and respond to global constituencies and the development of new mind-sets around national identity that have transcended borders and ethnicity and expanded transnational space.²²⁰ Communications technology and the mobility of migrant communities thus account for the shift in the nature of terrorism. Globalisation has undermined the dominance of hierarchies in favour of lower strata operatives who rely increasingly less on the leadership for operational sanction. As such, what have emerged are indeed autonomous groups, self- mobilised, self-sufficient and increasingly self-financing.²²¹

As such the growing autonomy and independence of "new" terrorism is inextricably wedded to the growth and impact of the Internet. For Neumann, the Internet simultaneously represents and projects the sense of identity and community on which jihadist ideology rests. Aside from determining the media agenda and exploiting jihadist web forums, the

²¹⁸ Hirst P., & Thompson, G., *'Globalisation in Question'* Cambridge, Polity Press, 1999

²¹⁹ Held D., & McGrew, A., *'The Great Globalisation Debate: An Introduction'* Global Transformations Reader, p4

²²⁰ Neumann, P. R., Op. Cit., p5

²²¹ Kirby A., *'The London Bombers as Self- Starters: A Case Study in Indigenous Radicalization and the Emergence of Autonomous Cliques'*, Studies in Conflict and Terrorism, 30(5) 2007 pp415-28 – Op. Cit.

Internet has facilitated a greater element of democracy and accountability amongst networked groups. That said, provision currently exists to act with autonomy on target selection, whilst ensuring that there remains some ideological consistency. Neumann cautions against the notion of fully embracing the shift towards fully independent autonomous cells and cites the Madrid bombings in 2004 which though originally indicating autonomous action, later confirmed regular engagement with Al Qaeda franchises in North Africa and Europe. Moreover he further cites the case of Younis Tsouli as a counterpoint to Sageman's notion of a 'leaderless jihad'.²²² Thus rather than seeing "new" terrorism as an increasingly autonomous phenomenon in which foot-soldiers predominate, it is perhaps more the case, that conventional notions of command and control predicated on hierarchies no longer apply and have thus resulted in changes within all strata.

Thus for Neumann, 'new' terrorism is primarily rooted in the evolutionary nature of terrorism itself rather than some unprecedented phenomena. As such, due recognition is given to the many continuities in terrorism, in particular, how what is 'new' is more the context in which terrorism has evolved and the phenomena which have influenced this development. As such, the consequences of 'new' terrorism are best understood, not as a question of "either /or, but rather in terms of degree – 'newer' versus 'older'".²²³ In an effort to track the transformation and evolution from 'old' to 'new' terrorism, Neumann like Crenshaw has sought to capture the changes by considering three variables; aims, method and most importantly in terms of counter terrorist financing interventions, organisational structure.²²⁴ By considering terrorism in these terms, he suggests it is possible to chart the changes which have occurred over time. This chapter seeks to give context and illustrate how terrorist entities have mutated in recent years from hierarchical to seemingly autonomous entities and chart the ideological basis of their aims and goals and how their methods have shifted to embrace martyrdom operations and mass casualty attacks. These developments will be assessed further in Chapter Five through an empirical examination of 4 recent UK terror plots.

²²² Neumann, P. R., Op. Cit., p64

²²³ Ibid, p13

²²⁴ Ibid, p15

For Neumann, the most significant distinctions between 'old' and 'new' terrorism can be identified when reviewing terrorists' aims and ideologies. The political agenda of terrorist groups often reflects a society's ideological status quo. As such, Marxism and nationalism, the predominant ideologies in earlier decades, correspondingly inspired terror groups during that era. The subsequent emergence of radical religiously motivated political movements which evolved as a feature of mainstream discourse has not surprisingly, spawned a variety of religiously inspired terrorist groups. Stepanova²²⁵ likewise endorses the view that radical nationalism, which historically has been secular in orientation, has now increasingly embraced religious dogma. The rise of Hamas, combining its aim of national liberation with overarching religious sentiments attests to this development.²²⁶ The conventional view of the 'new' terrorism model thus draws on the centrality of religion and suggests that contemporary religious terrorism is wedded to the pursuit of mass casualty operations with lethality as their hallmark. Whilst Crenshaw acknowledges that the 'new' terrorism model best fits with this criterion, she questions whether 'old' terrorist groups were really so discriminating and cites et al, the indiscriminate killings of civilians by the FLN, Pan Am 103 and the Air India bombing by Sikh militants to counter this assessment. As such, the correlation between 'new' terrorism and mass casualty impact may be explained in terms of technological developments around weapons and ordnance rather than specific ideological or tactical drivers.

Whilst disagreements clearly exist on the scale and characteristics of 'new terrorism', the emergence of the term in academic literature nonetheless gathered momentum after the 9/11 attacks and signalled a turning point in the treatment of terrorism as an academic subject.²²⁷ The extent to which this represents a shift in perception rather than substantive change is a moot point. It is primarily the notion that a qualitatively new brand of terrorism emerged requiring qualitatively new countermeasures that has most exercised practitioners and policymakers alike. Moreover, it is precisely because 'new terrorism' is distinguished from older traditional terrorism primarily by claims of changes in organisational structure that is of most interest to CTF practitioners. It is widely acknowledged that changes in organisational structure generally result in wider changes to internal processes, including

²²⁵ Stepanova E., *Terrorism in Asymmetrical Conflict*, Oxford University Press, 2008, p57

²²⁶ Levitt, M., *Hamas: Politics, Charity and Terrorism in the Service of Jihad*, Yale University Press, 2007

²²⁷ Lynch O., & Ryder, C., Op. Cit., p259

changes to infrastructure and support.²²⁸ In general terms the same is true of terrorist entities. These changes inevitably trigger changes in funding requirements and financing methodologies and it is the shift towards more frugal resourcing and non criminal sources of finance that are most significant in this 'new' dispensation. Lynch and Ryder cite Tushman et al and their classification of two types of change; convergent change which involves fine tuning to maintain consistency with existing organisational objectives and processes and secondly frame breaking change, a more significant reordering of organisational apparatus in response to unpredictable events within the operational environment. It is the latter which is most relevant when considering 'new terrorism' and the phased mutation towards networked, diffuse and ultimately more autonomous configurations. It is therefore in the context of these 'new' or emerging organisational forms that current CTF policy and operational responses should be considered.

“Vertical or Flat: The Impact of Structure on Terrorist Financing”

However one sees the doctrinal debate on the distinctions or otherwise of 'new terrorism', there is little doubt that significant change has occurred in the structural composition of terrorist groups in recent years. Any attempt to understand the factors that have shaped UK CTF strategy must therefore consider the battle of ideas, or the “rancorous public feud”²²⁹ which developed between Sageman and Hoffman in particular around our understanding of contemporary terrorism and terror networks in particular. This debate exemplified the tensions that emerged in achieving consensus on the nature of terrorism and in articulating appropriate operational responses. Moreover such agreement is crucially important to policy makers and practitioners in shaping responses to terrorist financing and determining the emphasis accorded to both ‘macro’ and ‘micro’ finance interventions in addressing these challenges. It is imperative that the UK terrorist finance strategy, the product of collective discussion between the law enforcement agencies; key policy departments and the private sector, is framed on an agreed understanding of the threat. Structural composition ultimately determines the choices, range and scope of CTF interventions. Thus any assessment of structural composition must examine the recent historical chronology of

²²⁸ Harigopal, K., ‘*Management of Organizational Change: Leveraging Transformation*, Sage, 2006

²²⁹ Stevenson, J., ‘*Survival: Global Politics and Strategy*.’ p215, Vol 50, No 4, August-September 2008, citing the respective positions of Marc Sageman and Bruce Hoffman.

this concept and draw on the work of those such as Sageman²³⁰ who cite the threat primacy of networked terror cells.

For Sageman, the Al Qaeda leadership had in the post 9/11 period, been superseded by a new threat emerging from diffuse low-level groups. Sageman proffered his “3 Waves Theory” to contextualise modern jihadist terrorism and this consolidated his earlier work with its emphasis on the centrality of social networks and the web of relationships that sustained them. Again technology is central to Sageman's contention of a “leaderless jihad.” Like Neumann, Sageman notes the impact of technological enfranchisement which offered a variety of options and accelerated the home- grown threat by eroding national identity and a sense of alienation amongst second and third generation immigrants and made possible a leaderless jihad of anti western political violence. Most significantly however, these developments have been orchestrated at minimal expense. The online jihad community has served to energise the threat from homegrown groups and radicalise its constituency at a pace which could not be replicated in either print or conventional broadcast media. The role of the Internet in facilitating the emergence of autonomous groups cannot be overstated particularly which regard to the dissemination of tactical and operational tradecraft.²³¹ It is primarily these domestic threats which remain of most concern to police and the intelligence services. This shift in *modus operandi* thus questions the relevance of many CTF interventions. Indeed, one of the key characteristics of ‘new terrorism’ is the diversification of the sources of funding upon which they rely and the declining importance [and indeed irrelevance] of state and popular support within their funding portfolios.²³²

Furthermore, given that ‘new terrorism’ is now increasingly focused on self-sufficiency across a range of funding mechanisms, this may explain in part the capacity for greater lethality, given the absence of stakeholder constraints. Aside from the counter terrorist finance implications of the ‘home-grown’ threat, new paradigms are now required to understand the process by which certain individuals embrace terrorism. Social dynamics

²³⁰ Sageman, M., *Understanding Terror Networks*. Philadelphia PA, University of Pennsylvania Press, 2004 and Marc Sageman, Op. Cit.

²³¹ See ‘The Jamestown Foundation’ at www.jamestown.org/programs on Al Qaeda’s Internet Journal *Mu’asker al-Battar* which has offered previous explosives and ordinance instruction.

²³² Giraldo J., & Trinkunas, H. A., Op. Cit

clearly offers a framework for exploring these motivations and Sageman's research proffers several theories about the nature of these networks, including the rationale for how and why individuals enlist for jihad, which he cites as a 'bottom-up' phenomenon. Several of his findings including those around 'clique' dynamics are deemed relevant to the case of the London 7/7 bombings and to the phenomenon of 'self-starters'²³³ and this will be explored more fully in Chapter Five of this thesis.

Whilst Hoffman acknowledges that these informal terrorist groups were a critical part of the global terrorist network, he expresses deep concerns about Sageman's "brusque dismissal of much of the academic literature on terrorism and terrorist networks in particular."²³⁴ Moreover, Sageman's view that Al Qaeda had receded in importance or had in some way been neutralised operationally, was dismissed as this ignored its agility and flexibility in exercising both top-down and bottom-up planning and operational capabilities.²³⁵ Hoffman suggests that Sageman failed to recognise that the shift towards a more diffuse template was the result of deliberate strategic decisions made previously by Al Qaeda.²³⁶ Thus in effect, Hoffman asserts, that the seeds of radicalisation and the subsequent emergence of home-grown jihadists were part of a clear 'blue print,' an issue which Sageman seemingly ignored. Hoffman supports his argument by highlighting Al Qaeda's subsequent renaissance in the tribal areas of Pakistan and the assumption of greater strategic and operational control over previously affiliated tenuous groups. For Hoffman, these developments confirm the fluid, structurally fragmented and transnational nature of Al Qaeda and lay challenge to Sageman's thesis.

The Sageman/Hoffman contretemps illustrates the difficulties in formulating effective counter strategies whilst such profound disagreements existed regarding the nature of the threat itself. However this is viewed, Sageman attempts a paradigm shift to emerging areas of research around this decentralised jihadi community. Indeed, greater understanding and insights into homegrown jihadi attacks must come from understanding small group dynamics and psychological motivations. Sageman's thesis thus consolidates the shift

²³³ Kirby A., 'The London Bombers as Self-Starters: A Case Study in Indigenous Radicalization and the Emergence of Autonomous Cliques', *Studies in Conflict and Terrorism*, 30(5) 2007 p415-28

²³⁴ Hoffman, B., *Op Cit*, 2008, p2

²³⁵ *Ibid* – See p3 of the above in which Hoffman cites two authoritative analyses of terrorist threats to the United States.

²³⁶ *Ibid*, p6

towards terror networks as a distinct area of research. That said, it is important to recognise that terrorist organisations are not exclusively organised in a network structure and as such, a variety of approaches should be considered. As such, momentum is developing in some quarters advocating novel asymmetric approaches if efforts to combat network based terrorist and criminal organisations are to achieve success.

The key challenge for those involved in CTF therefore, is to acknowledge the changing nature of the threat and to articulate and construct effective counter measures to deal with these developments. Whilst other aspects of Sageman's thesis most notably, perceptions on the 'war on Islam' provide useful analytical frameworks for understanding radicalisation, it is the nature of mobilisation through social networks, which offers most value to those whose focus is on countering terrorist financing. Indeed, effective counter strategies must take into consideration, any perceived shift in how terrorist organisations, groups or networks are structured, developed and refined, as there will inevitably be a strong correlation in how these entities are maintained, sustained and funded. The key outcome from this debate, is that policymakers must take account of this phenomenon in an effort to better understand the potential direction in which these developments will evolve in order to avoid the spiral of further attacks and counter measures, a re-examination of political, legislative and forensic measures and a further deterioration in relations between Muslim and non Muslim communities. This threat however, may ultimately require more radical measures and new discourses and theological perspectives on Islamist Jihadist groups.

Any assessment of evolutionary change from 'old' to 'new' terrorism requires an examination of the key characteristics of the former as a comparative benchmark. From a UK perspective this must inevitably involve some assessment of the modus operandi and organisational template adopted by the Provisional IRA (PIRA). 'Old' terrorism is often cited as being innately ethno-nationalist with a specific territory central to its operations. In the case of PIRA, this is overwhelmingly so. What is notable, however, is that the 30-year terrorist campaign in Northern Ireland was characterised by several structural mutations and transformations, ranging from conventional hierarchical military structures to cell based entities. Moreover, the revision to cell structures did not include a diminution in the levels of central direction and control, particularly regarding operational sanctions and

weapons procurement.²³⁷ In effect, the primacy of an acknowledged hierarchy remained intact, with the General Army Council retaining its dominant status. However, whilst opting for asymmetric configurations and cell structures, it would thus be a mistake to consider this completely independent of central direction and control. Insofar as PIRA's aims are concerned, the organisations fundamental ideology had been consistent with its quest for a free and united Ireland. This was in turn wedded to strictly secular notions of a socialist republic, albeit inspired by Marxist philosophy, as a bulwark to British colonialism and imperial ambition.²³⁸ Similarly PIRA's tactics and methods whilst violent, rarely resulted in mass casualty attacks. Indeed, stakeholder constraints ensured that the overriding national liberation ethos softened the likelihood of a concerted indiscriminate campaign and thus ensured a certain political legitimacy. Thus whilst commentators point to structural configuration as the key determinant of 'new terrorism, there are many parallels to be drawn which support the notion of deja-vu in this context.

Indeed, Al Qaeda like PIRA has during its lifespan also been subject to structural transformation. In the early years it too adopted a classic hierarchical model, with clearly defined command and control apparatus, with the leadership at the core and compliant cells primed for operational action.²³⁹ This in turn morphed into a looser more diffuse model, for some a philosophical franchise for violent jihad, pursuing action in accordance with the aims and ideology of the Al Qaeda leadership. Moreover, this reinforces the observations of Abu Musab al-Suri who explains the diffusion of Al Qaeda as entirely natural and deliberate and indeed consistent with the notion of Al Qaeda as a system rather than an organisation, with the only link between the core and its affiliates, a common aim, common doctrine and a self education program.²⁴⁰ The post 9/11 periods has thus been characterised by countless discussions on how Al Qaeda evolved in response to government counter strategies. The prevailing view therefore, is that the organisation has as a result of western military and intelligence successes become less hierarchical and adopted a more decentralised networked configuration. This configuration is ironic, given that the conventional response of terrorist groups subjected to government attention has been to

²³⁷ Coogan, T. P., *'The IRA'* Third Edition, p579, Palgrave Macmillan, 1987, qtd in Neumann, p32

²³⁸ English, R., *'Armed Struggle: The History of the IRA'*, Pan MacMillan, 2008

²³⁹ Bergen, P., *'Holy War Inc: Inside the Secret World of Osama bin Laden'*, Chapter 10, London, Phoenix, 2001

²⁴⁰ Neumann, P. R., *'Old & New Terrorism'* Polity Books, 2009, p40 citing Brynjar Lia- *'The Al Qaeda Strategist: Abu Musab al-Suri: A Profile'*, OMS Seminar Presentation, Oslo 15 March 2006, p17

reduce interconnectivity and strengthen their hierarchy, often by developing security bureaucracies. Whilst this was particularly so in respect of the Provisional IRA, Al Qaeda and its affiliates have ignored such responses as the preference for looser networked or increasingly autonomous structures prevail.

Shapiro²⁴¹ highlights an unexplained discrepancy between the historical adaptation to government pressure and the consensus on the evolution and nature of the current threat. This in turn has raised fundamental questions and points to the need for a better understanding of the organisational design and structure of covert organisations. From a counter terrorism perspective, understanding the factors, which influence these configurations, is central to constructing appropriate policies and strategies to mitigate the impact of such groups. Shapiro's research analyses the costs and benefits of different organisational design choices adopted by terrorist organisations. One key finding emerging from his work, is that while decentralised, highly interconnected organisational design makes it difficult for government to assess counter terrorist outcomes and impact, such design may also undermine the ability of such organisations and groups to realise their political goals.

Crucially, decisions around organisational design, adaptation and composition are often influenced and determined by the sources of funding for such groups. Thus organisational structure is a key variable in understanding the financing of terrorism. Indeed, where diaspora communities are targeted for funding, looser structures may be appropriate. By contrast, where a key source of external funding is essential, a centralised control structure may be a more appropriate option rather than interaction with various independent factions. Likewise the same configuration applies where fundraising is obtained through criminality, as the need for command and control will predominate.

Whilst Shapiro's research on the consequences of terrorist group adaptation is worthy of consideration, the correlation between group structure and the funding of terror however, requires further development. Where public policy has prompted a change in structure and composition and thus undermined a group's ability to operate freely and unhindered, such

²⁴¹ Shapiro, J., '*Organizing Terror: Hierarchy and Networks in Covert Organizations*' Stanford University, 23 August 2005, Preliminary Draft, www.teachingterror.net/resources/shapiro accessed 24 October 2012.

outcomes may not entirely constitute effective counter measures. Indeed in this context, perhaps the real merit in Shapiro's research, is in challenging some of the conventional assumptions which have emerged which seek to map how terror groups respond generally to government pressure and security constraints and applying these to our understanding of the current jihadist threat.

Thus Shapiro and Stern²⁴² have elevated structural composition as a key variable in the construction of counter terrorism strategies and tactics. Whilst discussions ensue regarding the nature and novelty of 'new terrorism', any such strategies to counter terrorist financing in the context of new structural configurations, should be framed on a clear understanding of the threat. In the context of this thesis, the key issue emerging is whether CTF interventions can critically inhibit 'new terrorism'. Indeed, making decisions without a clear understanding of the issues; general consensus on actors, motives, objectives and broader organisational capabilities, will severely undermine the wider policy process. Only by developing a better understanding of how new terrorists entities evolve and are resourced, will opportunities emerge for shaping effective counter terrorist finance strategies.

This thesis seeks to consider the role and impact of CTF interventions as a key aspect of wider counter terrorism efforts. Considerable resources and energy have been directed against terrorist financing in the past decade. Global financial compliance programmes and UN Resolutions have been initiated and financial legislation amended in over 100 jurisdictions.²⁴³ In addition, these amendments have challenged many of the cherished principles which underpin European notions of jurisprudence and are viewed by many as an attack on fundamental libertarian values, not to mention limiting in terms of intelligence dividends.²⁴⁴ In addition Asset Freezes have in many instances destroyed Islamic charities that legitimately provided much needed assistance in areas of failed governance.²⁴⁵ Similarly efforts to limit terrorists' use of Hawala banking and other alternative remittance systems have had disastrous social welfare implications in some of the poorest and most

²⁴² Stern J., in Biersteker T. S., & Eckert S., (Eds), *'Countering the Financing of Terrorism'* Routledge Publishers, 2008

²⁴³ Francis, D. R *'The War on Terror Money'*, Christian Science Monitor, 8 April 2004

²⁴⁴ Donohue, D. K., *'Anti Terrorist Finance in the United Kingdom and US'*, Michigan Journal of International Law, Vol, 27, 2006, p303-435 and de Goede M., *'The Politics of Preemption and the War on Terror in Europe.'* European Journal of International Relations, Vol 14, No 1, March 2008, p161-179

²⁴⁵ Shapiro J., & Siegel, D. A *'Underfunding in Terrorist Organizations'* International Studies Quarterly, 2007, 51, p405-429

vulnerable economies. As such it is now timely to consider whether these 'macro' interventions remain 'fit for purpose' in light of recent mutations and structural developments.

Indeed, the picture of terrorist financing which has emerged in the wake of the most recent UK attacks is of a formal and informal global financial system which can be manipulated with relative ease. Indeed, Giraldo & Trinkunus suggest that “*diverse and dispersed sources of funding and the methods of transferring [and raising] funds are exploited by equally decentralised and flexible terrorist networks that can easily shift from one mechanism to another to avoid detection.*”²⁴⁶ Given the increasing reliance on independently financed domestic terror cells, the challenge for CTF practitioners could not be more pronounced. The current generation of jihadist terrorists has demonstrated a flexibility to respond to a variety of security interventions. However, whether there has been a reciprocal shift in the mindset of government is a moot point.

Several assumptions have prevailed regarding counter terrorist financing practice generally. Biersteker and Eckert²⁴⁷ noted that all groups or organisations engaged in acts of terrorism were assumed to be broadly similar and thus attracted similar counter measures. As such, the regulatory systems and templates conceived to disrupt the financing of hierarchically structured groups were applied across the board with the expectation of equal operational impact. Moreover, measures deployed against ethno-national focused terrorist organisations were deemed to be as valid and appropriate as those deployed against transnational groups. Not surprisingly, the emergence of increasingly diffused and autonomous entities, have starkly challenged these assumptions. Furthermore, much of current public policy on counter terrorist financing was framed on the assumption that the formal banking sector was a key vehicle for the transfer of terrorist monies. However, there is growing evidence that the transfer of funds to such groups now increasingly by-pass this formal apparatus with greater reliance on cash couriers and informal value transfer systems as core funding platforms.²⁴⁸ As such, a new paradigm in counter terrorist policy is required which challenges those long held assumptions and more adequately acknowledges the centrality

²⁴⁶ Giraldo J., & Trinkunas, H., A., Op Cit. p11,

²⁴⁷ Biersteker, T. J., & Eckert S., (Eds), Op. Cit. p4

²⁴⁸ Ibid, p5

of structure in the wider drive to frame effective counter terrorist finance strategies. This accords with the conclusions drawn by East West Institute (April 2007)²⁴⁹ on the failure of global and regional counter terrorism structures to respond to the challenges posed by globally networked terrorist groups intent on waging a new form of social insurgency.

In essence, a new dispensation on counter terrorism generally is required, to integrate success and apply lessons learnt across a range of levels. In addition to greater cooperation and cohesion between governing, judicial and security agencies, a new consensus is required on the characteristics and evolving nature of the threat. This includes further research to complement existing studies²⁵⁰ which seek to understand the pathways toward terrorism through self and group radicalisation in order that CT interventions can be targeted more effectively. Whilst it is recognised that the terrorist threat is derived from a mixture of groups, networks and individuals, the key issue is the extent to which the UK's response to terrorist financing is predicated on the wider debate around the nature of the terrorist threat, the structure of terrorist organisations and the primacy or otherwise of informal fluid networks and increasingly autonomous entities. It is precisely this shift towards such entities which suggest a further mutation towards a 'newer' form of terrorism.

As indicated at the outset of this chapter, the notion that a 'newer' threat phenomenon has developed, accompanied by a paradigm shift in the resourcing of such entities, is of significant interest to those tasked with combating the financing of terrorism. The emergence of domestic "self-starter" cells in recent years represents a distinct and significant development. Further consideration will be given to this phenomenon and the accompanying shift in funding methodology and the extent to which new patterns in terrorist financing have evolved in response to decentralisation and new structural configurations.

²⁴⁹ www.ewi.info/counterterrorism/combating global terrorism/April 2007,p15.

²⁵⁰ McCauley C. & Moskalenko S., '*Mechanisms of Political Radicalization: Pathways Toward Terrorism*', *Terrorism and Political Violence*, 20:3, July 2008, p415-433

CHAPTER FOUR

Qualitative Evidence and Analysis

Western counter terrorism policy clearly affirms the relationship between terrorism and finance. Whilst the research question seeks to evaluate the contemporary relevance of Cicero's aphorism that '*the sinews of war are infinite money*'²⁵¹, it is primarily concerned with reviewing the efficacy of the UK CTF model. This has been conducted using an 'insider's perspective, both in terms of reviewing policy and operational impact. The first three chapters thus provide the framework for the thesis, by addressing the rationale behind current policy and operational choices and providing context for emerging developments.

There are immense challenges in measuring the desired outcomes of counter terrorism policy generally. Effective counter terrorism strategy is multi-dimensional. On the one hand, it must acknowledge and understand the financial and social organisation of terrorism. However, operational impact will also be determined by a state's ability to react to changes in the environment and in the context of CTF, those changes in funding sources and structures in an effort to mitigate emerging threats. Whilst it is natural to assume that reductions in terrorist activity reflect progress in counter terrorism efforts generally, this underestimates the changing nature of terrorism to respond to changes in the environment and the asymmetric non-linear nature of terrorist operations.²⁵² The recent shift towards 'home-grown' financially independent terror cells,²⁵³ clearly attests to the significance of external control variables to trigger such mutations. If one accepts that terrorist activities and thus reciprocal counter terrorism measures evolve as a set of actions, incidents and other manifestations evidenced by changes in state, it is often difficult then to measure the impact of CT programmes generally and specifically CTF interventions in this case.

As noted in the 'Introduction' to this thesis, the current emphasis on small scale, self-funded operations is particularly problematic for CTF practitioners, as the terrorist finance

²⁵¹ Cicero, M. T. Op. Cit.

²⁵² Perl, R., '*Combating Terrorism: The Challenge of Measuring Effectiveness*' p10, CRS Congressional Report 12 March 2007 accessed 23 May 2012

²⁵³ Crone M., & Harrow, M. '*Homegrown Terrorism in the West*', *Terrorism and Political Violence*, (23) p521, 2011 and Chapter 5 of this Thesis, '*The Threat from Financially Discreet Home-Grown Cells in the UK.*'

indicators are more difficult to discern, given that self financing and personal debt defaulting now play a key role in funding this 'new' terrorism.²⁵⁴ The lack of visibility and opportunities for interdiction at the conspiracy phase of terrorist operations and the increasing reliance on sterile funds further highlights the challenges posed. Thus, rather than focus on funds seized or networks dismantled, new discourses are required from which new metrics will evolve to determine success.

The research question has therefore been framed to consider inter alia, the trend towards 'new' low cost terrorism²⁵⁵ with its emphasis on self sufficiency and the emergence of 'criminally sterile' funding methodologies and to provide a challenge function to the orthodoxy that shapes current UK counter terrorism finance policy and practice. It considers the continued relevance of finance in the terrorism equation and the operational challenges posed to counter terrorism practitioners in combating 'new' threats. It therefore amounts to a 'health-check' on the status of UK CTF efforts in recent years and considers these summatively by evaluating CTF interventions as a collaborative programme of activity comprising various strands. In the main, however, it focuses on the collaboration between UK policy officials, intelligence services, law enforcement, regulators and the private sector. In doing so, the research considers the centrality of finance as a key enabler to terrorism and thus CTF interventions as critical inhibitors. It assesses the nature and scope of the terrorist threat to the UK both domestically and internationally and those emerging challenges which are likely to shape future UK CTF strategy.

Research Design

Consideration was given at the outset to the suitability of various methods for conducting this research. The traditional formulation of the evaluation question considers the extent to which the programme in question is achieving its goals.²⁵⁶ Designing an evaluation framework involves trade-offs which are governed by a variety of factors. The most challenging aspect of applying social research procedures to this study was the need to capture the merits of a multi dimensional programme that has evolved and continues to

²⁵⁴ Ibid

²⁵⁵ Napoleoni L., Op. Cit.

²⁵⁶ Weiss, C. H., 'Evaluation Research', Prentice Hall 1972, p4

evolve over time. Indeed, CTF interventions now comprise a range of activities and involve multiple actors and stakeholders. The fact that CTF as a concept, is sufficiently mature and acknowledged as a key element of wider counter terrorism strategy, accounts for the summative nature of the evaluation. As such, the research focuses specifically on the policy process and structures that have shaped the operational response, whilst also considering the efficacy of these measures to deliver operational impact and degrade terrorist attacks.

Given that this thesis is concerned primarily with establishing whether CTF remains a viable counter terrorism intervention and continues to deliver operational impact, I have opted for an interpretive approach and thus a qualitative research design to support this study. My intention was to avoid developing hypotheses apriori, deferring instead to the data for illumination, yet cognisant of the emerging literature that indicates key changes in both terror group structural organisation and funding methodologies in recent years.

The research has been undertaken because I believe that this is a watershed moment for CTF generally and therefore operationally relevant. I have progressed this through a series of structured and less formal discussions with counter terrorism professionals and policy officials and by analysing various official documents and papers. In total, seventeen professionals, a combination of counter terrorism finance practitioners and officials contributed to the research. The core of the fieldwork, the five comprehensive semi structured interviews, included some stimulus material to allow for the probing of views and opinions. This combination of informal discussions and semi structured interviews took place between March 2011 and April 2013. This approach has added depth, range, and specificity to the methodology. The value of this phenomenological approach afforded the opportunity to elicit more detailed responses and to explore subjective meanings that the respondents ascribed to concepts, phenomena and events.²⁵⁷ In conducting the semi structured interviews, I opted for a series of interactional exchanges of dialogue, conducted 'face to face' on a 'one to one' basis and grounded in a loose thematic, topic centred approach.

My choice of qualitative interviewing is largely rooted in my ontological position which

²⁵⁷ Gray, D. E., *'Doing Research in the Real World'* 2nd Edition, Sage Publications 2009, p373

affirms that those interviewed were selected on the basis of their respective CTF policy and operational experiences. Each had specific functional experience as key CTF stakeholders in managing and advising on different elements of the CTF portfolio. These included UK policy officials and counter terrorism professionals drawn from law enforcement and intelligence disciplines, with extensive experience of both domestic and international terrorist financing investigations. Indeed it was assessed that those selected specifically for semi structured interview had a broad spectrum of experience in engaging with ministers, operational practitioners, regulators and the financial services sector. Their experiences and interactions were thus considered meaningful and particularly relevant to the broad themes which my research question sought to explore. All participants understood the parameters of the field research and consented to interview, acknowledging that extracts from the semi structured interview sessions would unless requested for redaction, be quoted anonymously in the thesis if relevant. Due consideration was given to ensuring that there was no intrusion into matters that may be subject to a protectively marked security classification and all protocols were duly observed and respected.

Unlike quantitative data analysis where the statistical tools are well understood, it is acknowledged there are no hard and fast rules for organising and presenting qualitative data beyond some preliminary coding. In this case however, a number of established principles were observed and applied. These included personally transcribing the data from the interview sessions to develop familiarisation, coding and organising the data and finally identifying themes for theoretical sampling. Indeed, this process sought to generate theory by establishing connections between categories and concepts emerging from the data.²⁵⁸ The use of thematic analysis²⁵⁹ was an attempt to understand and conceptualise the key issues emerging from professional practitioners with a view to understanding current actions and informing future UK policy. A major advantage of this approach is that it avoids a preconceived idea of outcome and forces the researcher to keep an open mind. It seeks to organise many ideas from analysis of the data with the emphasis firmly on building theory within the research rather than ‘thin’ deductions from some general theory apriori. The generative methodology and inductive nature of this approach allowed for the

²⁵⁸ Ibid, p495

²⁵⁹ Boyatzis R.E , ‘*Transforming Qualitative Information: Thematic Analysis and Code Development*,’ Sage Publications, 1998

development of a theoretical understanding of the subject. In this case, it provided a systematic method of analysis whilst eliminating the need to conceive preliminary research hypotheses, thus affording greater freedom for wider CTF policy and operational considerations to emerge.

Thematic analysis in this study provided other advantages aside from the guiding structure around data collection, analysis and coding. Indeed, as the research gathered momentum and direction, it afforded an opportunity for further engagement with existing literature for comparative purposes. Moreover, it was particularly suited to this study given its flexibility to cope with more complex data relating to a multiplicity of variables rather than traditional positivist methods. Finally, the centrality and emphasis on the semi structured interview sessions to build theory, also afforded the opportunity for respondents to maintain greater control of the data collection and reduced the moral and ethical risks of researcher bias. Maintaining researcher objectivity is often cited as a key challenge for qualitative methodologies. Neutrality and impartiality are not easy stances to achieve, particularly in this instance where there has been considerable professional engagement in the research area. That said, the politics of evaluation requires that individual researchers make their own peace with describing what they do and how they address objectivity, neutrality and impartiality.²⁶⁰ I was acutely aware of the potential for interviewer bias to emerge in interview sessions either subtly or otherwise, hence the rigid adherence to acknowledged protocols and ethical guidelines.

Whilst thematic analysis is the methodological pillar of my research, I have as indicated, also supplemented these interview sessions with additional fieldwork using the case study approach, to reflect on four significant terrorist incidents in the United Kingdom during the period 2004 - 2007. This method was considered most appropriate to investigate contemporary phenomena within a real life context,²⁶¹ particularly in terms of establishing emerging financing trends and particularly those changes around terrorist group support infrastructure and funding capability. This combined thematic analysis/case study approach provided greater flexibility within the research site and produced further data to understand the continued operational relevance of counter terrorist financing interventions.

²⁶⁰ Patton, M. Q., *Qualitative Research and Evaluation Methods*, Edn 3, Sage Publications, 2002, p570

²⁶¹ Yin, R. K., *Case Study research: Design and Methods*, 3rd Edn, Sage, 2003

Whilst the use of the semi structured interview format afforded a set of key starting points for discussion, the interviews remained sufficiently fluid to allow for the development of tangential ideas and unexpected themes. Instead of focusing on a series of abstract questions, I allowed for the construction of contextual or situational knowledge by concentrating on relevant issues raised during interview. The choice of qualitative interviews was therefore an attempt to generate richer, more nuanced, and complex and more rounded data across a range of issues within the counter terrorist-financing spectrum.

Whilst quantitative techniques have traditionally been considered more appropriate to measure outcomes²⁶² it was decided that given the requirement to consider the process and structures as well as policy outcomes and future challenges, that a qualitative paradigm was more appropriate. The combination of informal exchanges and semi structured interviews was thus chosen to provide a greater depth of explanation and an opportunity to explore the opinions and motivations of those interviewed. Having further reviewed the existing literature, the author established a general structure by deciding in advance of the interview sessions, those areas to be covered and the core questions to be asked. This interview framework thus comprised those key policy and operational issues that had emerged during the literature review²⁶³ and provided an opportunity to maintain a degree of flexibility and direct the interview sessions, taking account of the participant's specific professional experience.

In summary, the core of the research was thus conducted through a series of in-depth interviews and those selected had to demonstrate considerable CTF operational and/or policy experience and have been familiar with and supported or contributed to formal UK CTF structures.²⁶⁴ This type of expert sampling enabled the selection of participants whose qualities and known demonstrable professional experiences permitted an understanding of the various phenomena in question.²⁶⁵ The decision to progress this through qualitative

²⁶² Rossi P. H., & Wright S. R., 'Evaluation Research: An Assessment of Theory Practice and Politics', Evaluation Quarterly 1:5-52, 1977

²⁶³ See 'Introduction and Thesis Outline', p10

²⁶⁴ This included the Terrorist Finance Action Group (TFAG), the UK Government's main coordinating committee for overseeing work against terrorist financing, comprising policy, operational and supervisory experts. See para. 3.24, 'The financial challenge to crime and terrorism', HM Treasury, p39, February 2007

²⁶⁵ Miles M. B., & Huberman A., M. 'Qualitative Data Analysis; An Expanded Sourcebook' Thousand Oaks, CA, Sage 2nd Edition, 1994

research design was considered most appropriate in obtaining culturally and professionally specific information about the values, opinions, behaviours and experiences of those sampled. The decision to use this approach was based on the perceived benefits of peer group evaluation and the unique and on occasions, shared experiences of subject matter experts.

Each participant was furnished with a question set in advance of the interview, comprising a range of familiar areas for discussion. This provided an opportunity for participants to consider and reflect on those matters prior to interview with a view to enhancing the richness of the data. At the outset, it was stressed to those sampled; that the preliminary question set was merely a framework to highlight the general areas for discussion and that each session should evolve organically and would be shaped in part by the unique experience of those interviewed. The use of open-ended questions gave participants the opportunity to comment on their professional experiences and to prioritise and accord emphasis to various phenomena.²⁶⁶ This approach therefore allowed for the in-depth and detailed study of the experiences of specific stakeholders, with the aim of eliciting rich detailed material for subsequent analysis.²⁶⁷ Whilst the data collection addressed loosely predetermined categories of analysis, it remained sufficiently flexible to capture the detail, intonation and emphasis that quantitative strategies often fail to secure. Moreover, this approach also provided an opportunity to experience the affective as well as the cognitive aspects of the responses.²⁶⁸

The interviews were structured around 4 broad areas of CTF activity. The framework for the empirical research was influenced in part by the response of the UK government in 2002 to the financing of Irish Related Terrorism in which it advocated a counter terrorism approach based on “*intelligence, joint working, combined strategies and legitimacy.*”²⁶⁹ Though not categorised as such to the participants, the interview sessions were sufficiently fluid to allow for the unique experience of those sampled to be addressed specifically. The

²⁶⁶ Patton M., Q. ‘*Depth Interviews: How to use Qualitative Methods in Evaluation*’, Newbury Park: Sage Publications, p108-143

²⁶⁷ Lofland J. & Lofland, L. H., ‘*Analyzing Social Settings: A Guide to Qualitative Observation and Analysis*, 3rd Edition, Belmont, CA: Wadsworth 1994

²⁶⁸ National Science Foundation Handbook, ‘*Common Qualitative Methods*’, Chapter 3, www.nsf.gov/pubs/1997/nsf97153 accessed //10/2012

²⁶⁹ HOC NIAC Fourth Report, Op. Cit. p28

study design was thus iterative and dynamic and adjusted accordingly on the basis of what had been discussed and learnt. In terms of data format, each interview was recorded and subsequently transcribed and all parties consented to these arrangements. Where appropriate, field notes were recorded for further elaboration and record. These interview sessions have been supplemented with data collected from various operational reports, policy papers, reviews and evaluations. However the primary data from these interviews was then distilled and organised into major themes and case examples and are discussed in detail.

The first area examined current '*Structures, Policy and Strategy*' and sought to establish whether the structural framework, policy tools and powers for intelligence, investigation and disruption were 'fit for purpose'. The research considered the issue of 'threat' finance generally and whether the current arrangements were appropriate to counter the challenges posed by recent attack cells and specifically the emergence of autonomous and financially independent groups. The relevance of existing public policy and structures was considered in the context of addressing those areas of greatest risk. The research also sought to identify the dominant assumptions and narratives which shape current UK CTF policy and strategy.

The efficacy of these structural and policy initiatives was considered in terms of '*Operational Effectiveness*' and whether the public policy framework and ensuing *Terrorist Finance Strategy*, discharged through CONTEST²⁷⁰ could deliver impact both domestically and internationally. Several new phenomena were identified as important areas for discussion. These included the emerging threats from insurgent financing and an acknowledgment of the UK's role as a "net exporter of terrorist finance". As such the interviewees were specifically challenged on those interventions targeting the sources, transmission mechanisms and destinations for funds raised in the UK to support terrorism overseas. The research also sought to address recent perceived changes in the economy and efficiency of terror and the difficulties of conspiracy phase interdictions, where there may be little or no indication of acquisitive crime to generate finance.

The third area focused on evaluating those structural and legislative '*CTF Assets*', spawned

²⁷⁰ 'CONTEST' is the UK Counter Terrorism Strategy. See www.gov.uk/counter-terrorism

in large part as a result of security and diplomatic efforts in the wake of the 9/11 attacks. The Suspicious Activity Reports, (SARs)²⁷¹ regime and the compliance and regulatory protocols championed through the Financial Action Task Force (FATF) were examined specifically. Particular significance was given to reviewing the contribution of public/private partnerships in combating the financing of terrorism, and the perceived assumption of '*proxy sovereign status*'²⁷² by private institutions in discharging their role. Most significantly however, the value of financial intelligence was highlighted as a specific area of interest, largely in the context of the anecdotal post - blast utility of the 'follow the money' doctrine which has shaped much of the West's CTF response since 2004.²⁷³

The final element of the interview sessions addressed the "*Future Challenges and Vulnerabilities*" that are likely to dominate the agenda for CTF practitioners in the years ahead. In doing so, it sought to identify potential and as yet unexploited opportunities and interventions to disrupt nodes of activity across the terrorist-financing spectrum. Domestically, most concerns centred on combating the threat from radicalised UK nationals. In addition, difficulties were anticipated regarding financial instruments, payment mechanisms and those sectors which are deemed most vulnerable to exploitation. The research focused specifically on the arrangements governing remittance systems and specifically Money Service Businesses (MSB's) in the UK and sought to determine the impact of the 'light touch' regime in regulating these entities. The research also addressed the extra-jurisdictional challenges of CTF interventions overseas.

²⁷¹ SAR's refers to Suspicious Activity Reports generated by Financial Institutions and the Regulated sector.

²⁷² de Goede, M., Op. Cit., p161-179.

²⁷³ '9/11 Commission Report' 2004, p382, www.9-11commission.gov.report/911report accessed 4 July 2013

INTERVIEW RESULTS

Part 1

STRUCTURES, POLICY & STRATEGY

The Effectiveness of Current Structures in Shaping CTF Strategy

Insofar as UK CTF structures are concerned, the main theme distilled from the interview sessions was an acknowledgement that the existing apparatus, which is made up of Treasury, Home Office and the Foreign and Commonwealth Office officials, with further input from operational practitioners, was generally considered effective in shaping current terrorist finance strategy. Indeed, it was suggested that the tripartite apparatus enhanced accountability and underscored the view that successful CTF interventions could not be delivered unilaterally.

“We are very fortunate here in the UK that we have Ministerial interest that cuts across three Ministries that actually sign off and approve CTF strategy for the UK. As you are aware you don’t tend to find this in my view in other parts of Western Europe or indeed elsewhere. This has come about of course because the Treasury have the financial portfolio, the Home Office have the CT portfolio and the Foreign Office have the International portfolio and because TF and CTF is a cross-cutting tool and actually involves all three Ministries, so this arrangement I suppose reinforces Departmental accountability. As part of what I can only describe as an anomaly, HMT actually hold the CTF portfolio as part of their wider financial crime portfolio. So in terms of regulation and investigation it involves both the Home Office and the Treasury.”²⁷⁴

Whilst the current balance in terms of policy/practitioner influence on CTF strategy was in the main considered appropriate, some concerns were voiced that these arrangements may be too policy focused, with less attention paid to practitioner concerns and experience.²⁷⁵ However, whilst a partnership model drawn from various government departments was strongly favoured, a broader ‘whole of government’ approach to CTF, similar to the US template, was also advocated. The inclusion of the military as further CTF partners was thus suggested, given their experience and perspectives on threat and specifically insurgent finance interventions.²⁷⁶

²⁷⁴ Interview with CTF practitioner No.1

²⁷⁵ Interview with CTF practitioner No.4

²⁷⁶ Interview with CTF practitioner No.2

It was also acknowledged that the tripartite arrangements²⁷⁷ served to enhance the status of CTF and more specifically ‘counter threat finance’ as a key concept in counter terrorism strategy generally. The participation of the Treasury, Home Office and the Foreign and Commonwealth Office, was based on their respective responsibilities for finance, counter terrorism and international diplomacy and confirmed the operational complexity and global nature of terrorist financing. Whilst policy officials had no operational mandates as such, their strategic oversight role was seen to add value by providing a challenge function to ensure that all parties, including law enforcement and intelligence services, were engaging and contributing as intended and in accordance with the Terrorist Finance Delivery Plan.²⁷⁸

*“Various actors are engaged in framing counter terrorism strategy around terrorist financing, for example the OSCT, HMT and our SRO who we report to, together with the Counter Terrorism Directorate of the FCO on international issues, effectively form the Secretariat for TFAG,[Terrorist Finance Action Group]. Therefore, sitting on that group, are all the key law enforcement agencies, all the key political departments and key supervisors. We don’t try to interfere as such, as we are not CT specialists. We are policy officials, we have no investigative or operational remit. What we try to do is to provide oversight, provide ideas and set strategy for those areas which are emerging threats or potential threats such as new payments methods, cash couriers and money transmitters.”*²⁷⁹

Evidence from interview thus confirmed CTF as an area with significant endorsement from joint departmental leads that collectively formulated counter terrorist financing policy as part of the wider CONTEST Counter Terrorism Strategy. It was suggested that the strength of these arrangements was based on robust multidisciplinary partnerships which required all parties to engage around common objectives. The ensuing Terrorist Finance Delivery Plan subsequently addressed threat finance through a matrix of thematic scenarios from which objectives and milestones were set. These indicators were subject to a review and evaluation process to determine progress at policy and operational level.²⁸⁰

“In terms of how this works in setting CTF strategy it’s a consultative process, with joint leads from the Home Office, the Treasury and the FCO who have a less strong interest. The first two largely drive CTF as part of the wider CONTEST strategy, they set the strategic goals and the generic objectives and this is

²⁷⁷ Interview with CTF practitioner No.1, referring to the involvement of the Home Office, the Foreign and Commonwealth Office and HM Treasury in counter terrorist financing strategy.

²⁷⁸ Interview with CTF policy official No.3, referring to Internal Document for use only by Officials, Practitioners and Regulators.

²⁷⁹ Ibid

²⁸⁰ Interview with CTF practitioner No.1

*pushed down to much smaller focus groups which include law enforcement and intelligence services which meet at least once a year to refine strategy. In addition they usually meet every six months to review these objectives. It's therefore a review and refresh process.”*²⁸¹

However, the issue of whether the appropriate balance has been struck on policy/practitioner input did not result in universal endorsement. Some concerns were voiced that the current strategy was perhaps too policy driven and focused on indicators that are capable of being measured rather than those that would genuinely deliver impact.²⁸² That said, there was strong endorsement from law enforcement that CTF structures should be policy led and that developments within the policy and political arena had significantly advanced progress on the matter more than practitioner interactions and engagement.²⁸³

*“I'm comfortable with the current balance and believe that CTF policy should be policy-led, we are fortunate in some ways, practitioners uncover so many different ways of circumventing legislation, rules and money transfer regulations and new instruments that are coming on to the market that are being used and abused. Clearly practitioners have the visibility on these that policy makers do not. Whilst everything has to be policy driven, the policy makers have to listen and consult. When you have that synergy between practitioner expertise and policy expertise both in terms of domestic, EU and international policy and legislation, you do have a strong deck of cards that can operate not just in the UK but internationally and particularly with our European partners. This is important; success in CTF is not something which can be delivered on a unilateral basis. It must be delivered through multilateral institutions and inter-governmental conferences and whilst we see that more at a policy level, we do not I believe see the same developments at practitioner level. Hopefully that will come if we push the policies hard enough and the portals start to open up.”*²⁸⁴

The current Terrorist Finance Action Group (TFAG)²⁸⁵ arrangements have attracted some criticism that CTF in the UK is at present addressed largely through a “*forum of converts*”. Concerns were voiced regarding the potential adoption of a ‘one –dimensional’ or corporate mindset.²⁸⁶ As a result, there have been some calls for a revision of the current arrangements and procedures, in an effort to generate some fresh ideas and new perspectives.

²⁸¹ Ibid

²⁸² Interview with CTF practitioner No.4

²⁸³ Interview with CTF practitioner No.1

²⁸⁴ Ibid

²⁸⁵ ‘TFAG’ comprises various Ministers, Officials, Law Enforcement and Regulators.

²⁸⁶ Interview with CTF practitioner No.2

*“I suppose I’m broadly happy with the current structures... the trouble is the way this is delivered, is through a ‘forum of converts’ and by this I mean the T FAG Ministerial and Officials meeting and various other ad hoc meetings which take place around the edges, comprising all the usual suspects. We need to look again at the composition of these groups; we could do with some new input and ideas. On the one hand we have buy-in across the board which is a good thing, but for me it misses one of the critical aspects of finance in terms of how it is viewed from an MOD perspective.”*²⁸⁷

In response to concerns that the current structures may unwittingly foster a myopic perspective on CTF, or at least simply perpetuate established and conventional thinking on CTF, the inclusion of military perspectives on the subject was proffered as a suggestion for inclusion in future strategy. Indeed, the issue of threat finance has emerged in recent years as an area of significant operational interest for the military that routinely targets ‘key enablers’ to capability. As such, the terrorist financing conundrum is considered in the context of “*threat = capability x intent*”.²⁸⁸ It is generally acknowledged that reductions in finance significantly degrade operational capability. Thus from a military perspective, finance is considered as a key transactional activity within a wider programme of measures central to supporting the aims of terrorist groups and should therefore be targeted accordingly.²⁸⁹ Whilst this is an issue best considered in tactical and strategic terms, it further highlights the significance of structural configuration as an arbiter of strategy.

Whilst there was broad agreement that the existing structures were effective in facilitating the formulation of CTF strategy, concerns were raised that the current arrangements did not adequately provide policy officials with the levels of operational detail which might better inform and shape subsequent strategy.

*“We have a sense at the centre that we are not getting a comprehensive or detailed understanding of the threat within the UK. We don’t know exactly where it is happening, or who the key individuals are, those sorts of things we are not really sighted on which is fine, except that Ministers and senior officials continually ask questions when they get reports from [civil servants] or the Security Service about investigations. So we have a thirst for more information and we are trying to develop better ways in which we can get a fuller understanding of the intelligence picture”.*²⁹⁰

²⁸⁷ Ibid

²⁸⁸ Ibid

²⁸⁹ Ibid

²⁹⁰ Interview with CTF practitioner No.3

It was acknowledged that the Research Intelligence Communications Unit (RICU) could perhaps play a greater role in this respect and whilst their messaging campaigns tended to be focused more on the 'Prevent' strand of CONTEST, there was a desire for greater engagement with RICU on matters involving terrorist financing. Whilst cognisant of the balance and parameters governing the operational sphere, the lack of specific operational detail was nonetheless considered an impediment to more effective engagement and ultimately enhanced policy outcomes. This was deemed to be particularly pronounced when attempting to engage with regional counter terrorism partners.

"One of the problems we have at the moment is to tap into the CT machinery across the country and access the types of data which can help shape counter terrorism policy generally. I am sure the information is there, but it's not being communicated effectively to the centre and therefore it is difficult for RICU to engage on those targeted campaigns. It's important for us because we are setting policy from the centre, but actually how can we measure the impact if we don't know where the problems are and we can't determine if there is any improvement. We are really trying to work with law enforcement, not interfering with current law enforcement operations, but rather to enhance our competent communication with law enforcement to add value overall." ²⁹¹

The Policy Challenge of Impacting Home-Grown Financing Methodologies

There was universal endorsement from those sampled that the UK's multi disciplinary and multi layered policy approach to CTF had spawned a strategy which recognised the need for both domestic and international interventions. However, whilst the Counter Terrorist Finance Strategy and Delivery Plan²⁹² on the whole targeted the right areas and sought to generate maximum operational effectiveness, law enforcement practitioners acknowledged the international focus of these programmes and the limitations of interdiction and disruption interventions in addressing the emerging threats from domestic self-financing attack cells. This shift also coincided with an increasing emphasis in recent years on the "follow the money" doctrine which has dominated much of current CTF thinking in recent years. It was however suggested, that the current Strategy suffered from significant intelligence gaps on the home-grown threat. Moreover, from a terrorist finance perspective, this threat also needed to be understood in the context of the 'Prevent' strand of

²⁹¹ Ibid

²⁹² See note 276

CONTEST.²⁹³ A greater focus on targeting facilitation networks, which often morph into attack cells, was also advocated as a CTF option for primary phase interventions. It was hoped that this would be more explicit in future strategy. Furthermore, it was suggested that more emphasis should be given to targeting assets with ‘value’ and that financial investigation tools and methodology might be used to target merchandise and equipment typically required by attack cells. Indeed, specific reference was made to typology work undertaken by the National Terrorist Finance Investigation Unit of the Metropolitan Police Service in 2006 confirming the sharing of modus operandi and financing methodology in particular across several seemingly independent attack cells.²⁹⁴

The issue of micro financing, low level funding methodologies, which include minor financial frauds, personal credit defaults and state welfare fraud, was cited as an area of increasing operational significance. Though acknowledging that greater emphasis has been given to these areas in recent years and that the Strategy and Delivery Plan in part reflected this, micro financing was nonetheless likely to emerge as an area of increasing operational attention.²⁹⁵ That being the case, it was suggested that practitioners could benefit from the previous experiences of those engaged in combating Irish terrorist group financing which relied heavily on micro- financing initiatives.²⁹⁶

*“We have been dealing with terrorist financing before the Islamic threat. We cut our teeth with the Irish groups and we had to respond to a variety of challenges over the years. We understand that resourcing comes from a variety of sources, both small scale funding and through crime and international donations. So we need to keep this in mind, we have been here before. We have a lot of corporate knowledge not just on TF but on CT generally.”*²⁹⁷

Evidence from interview also indicated that those responsible for framing CTF strategy had on the whole, taken cognisance of recent changes in the nature of the threat both domestically and globally and responded accordingly.

“The current strategy has been revised and refreshed and replaced the 'Financial Challenge'

²⁹³ Interviewee’s 1, 2 & 4

²⁹⁴ Interview with CTF practitioner No.1

²⁹⁵ Interviewee’s 1, 2 & 4

²⁹⁶ Interview with CTF practitioner No.2

²⁹⁷ Interview with CTF practitioner No.4

*document [HM Treasury publication, February 2007] to be more aligned with CONTEST. It draws on the JTAC Threat Assessment, its wider, more broadly focused, and looks at international terrorist financing as well as the domestic threat. It's also about ensuring that we protect and preserve the integrity of the UK financial system which is hugely important to our national interest. It also recognises the need for bi-lateral assistance to high risk countries and includes new priorities such as credit card fraud, benefit fraud, cash couriers, K&R [Kidnap for Ransom], and counter insurgency links to TF.”*²⁹⁸

Similarly, from a public policy perspective, the current strategy was deemed to be effective in terms of preventing funds for terrorism generally, and specifically in addressing the home-grown threat. It was acknowledged that disrupting funds for attack planning by such groups was of major political concern to ministers. As such, officials had been charged with ensuring that the right policy framework was developed to support police and the security services to deliver operational successes across a range of activities.²⁹⁹

*“The current strategy and the Delivery Plan are intended to support CONTEST, so it links directly into that. It's still about the fundamentals of addressing the raising and movement of funds domestically and the threat to the UK from overseas. We are very much aware of our role in supporting current efforts and assisting in developing a greater understanding of TF generally. It's about helping to support the core functions of all those engaged in TF work, other departments, the financial and charity sectors and to fill the gaps and raise awareness generally. We aim to improve the collection; use and sharing of information and our capability around cash couriers, MSB's and new payments methods. We also understand the challenges of dealing with the new face of terrorism, the fact that there may be no or little discernible financial footprint. It's about agreeing priorities, delivering impact and holding people to account. We know that there is a lot of information out there on TF, but we need to develop a better way of sharing this, so the [Terrorist Finance Delivery] Plan should help. It's important also that policy is shaped by the intelligence picture, which we believe we are not always fully sighted on. So the strategy should flow from the collective efforts of all those involved in TF work, government, private sector and should be informed by the right information and intelligence.”*³⁰⁰

A further issue that emerged during the interview sessions was an acknowledgement of the increasing operational challenges and possible future limitations of interdiction and disruption interventions in addressing the emerging threats from self-financing attack cells.

²⁹⁸ Interview with CTF practitioner No.1

²⁹⁹ Interview with CTF practitioner No.3

³⁰⁰ Interview with CTF practitioner No.5

Whilst this coincided with a greater emphasis on the perceived utility of financial data to illuminate CT investigations generally, the value of a multi-disciplinary, multi faceted approach to CTF was also strongly endorsed. Indeed, there was an almost universal recognition of the parameters of CTF as an operational asset which confirmed its status as an aid to degrading capability rather than eradicating threat.³⁰¹ Empirical evidence indicated that the Istanbul attack on UK interests in 2003 had been sufficiently delayed and frustrated as a result of CTF interventions targeting the funding networks and supporting apparatus.

*“If you study the commissioning of these attacks, this was Core AQ [Al Qaeda]. If you look at the actual operatives, the cell leaders, the financiers and the facilitators... what was supposed to be a very short timeframe and in fact, what posed a problem for all of this, was the absence of money which essentially caused a breakdown in the process between the attack cell and the financial facilitator who was located elsewhere. It is clear that these attacks were delayed by several months because of the absence of finance.”*³⁰²

Indeed, it later emerged during the trial, that the Istanbul bombings required supplementary funding of approximately \$150,000 from Al Qaeda affiliates in the Gulf to undertake these attacks. Loai-al-Saqa, a Syrian national was subsequently jailed for securing the necessary finance and masterminding these attacks.³⁰³ The Istanbul attacks again confirm the centrality of money in the terrorism equation. It further illustrates the impact which the degradation of capability and the disruption of money flows through enhanced regulation and other interventions pose to terrorist organisations when law enforcement actively targets transfer streams. The acid test for CTF therefore, is to impact and disrupt revenue streams, thereby securing a direct and disproportionately net effect against terrorist networks.³⁰⁴ Istanbul however, also highlighted the limitations of CTF, which in the end merely frustrated and delayed rather than prevented these attacks.

On the issue of financially independent attack cells, it was generally accepted, that the economy of terror has changed significantly. As such, it was suggested that those conventional assumptions which have coloured much of the operational response in recent

³⁰¹ Interviewee's 1, 2 & 4

³⁰² Interview with CTF practitioner No.1

³⁰³ www.bbc/news.co.uk, 7th February 2007 'Seven Jailed for Turkey Bombings', accessed 18/7/11

³⁰⁴ Interview with CTF practitioner No.1

years now require revision. Indeed, whilst the focus historically has been on developing strategy to target large scale funding requirements, changes in terrorist methodology have spawned similar revisions from CTF practitioners in their understanding of how such groups now finance their activities. However, whilst acknowledging this shift, there was some concern that current strategy did not give sufficient emphasis to explicitly articulating and targeting these developments.

*“This isn't [any longer] about running terrorist groups like private corporations, with huge budgets required for political purposes and propaganda. The current strategy doesn't really or at least adequately deal with the threats and the challenges from these groups.. We should look at some of the ways in which the RUC attacked PIRA financing. Aside from large-scale extortions, my understanding is that a lot of the funding for weapons and attack planning came from volume crime, small scale stuff. We should be more aware of the potential for small scale funding, routine crime as a means of funding attack cells and direct our resources on low level financial frauds and even benefit fraud. We shouldn't lose sight of the requirement to police TF in a strategic sense.”*³⁰⁵

In terms of targeting micro financing methodologies, the perceived lack of emphasis on micro-financing initiatives was explained in part on a lack of intelligence on the home-grown threat, not only with regard to funding methodologies but also regarding initial indicators for group member radicalisation, and associated networks.

*“There are huge intelligence gaps. Our priority should always be about developing our intelligence picture to understand the main threats and where we are vulnerable, more knowledge on the activities of these cells, their behaviours, interests, patterns of life. The TFAG Programme was about information and knowledge, developing a greater understanding of TF generally, particularly around sources of income, finance, movement and vulnerabilities. It was also about understanding networks, how these functioned, operated and financed themselves. So I suppose in that sense, the strategy should be capable of addressing the threat from these groups [home-grown]. In the end of course it's about setting the right intelligence requirements, understanding where we lack visibility where there are gaps and then on the basis of this reporting, shaping the operational response We need more visibility here. The strategy should flow from the intelligence picture, and then we can use a range of TF measures, policing methods etc. to deal with these groups. The small scale stuff is worrying though, this is going to be the main challenge.”*³⁰⁶

On the issue of micro-financing specifically, difficulties were also acknowledged regarding

³⁰⁵ Interview with CTF practitioner No.2

³⁰⁶ Interview with CTF practitioner No.4

the current structural arrangements which tended to reinforce departmental objectives rather than a ‘whole of government’ approach to CTF. Further engagement was therefore required to deliver a corporate approach to terrorist financing projects to ensure greater consistency and alignment of prosecution thresholds in accordance with CTF strategy.

“There are practical and pragmatic reasons for this, not least the fact that the DWP [Department of Work and Pensions] are naturally and quite rightly more focused on large scale [welfare] frauds, whereas we are potentially looking at small scale individual abuse of relatively modest sums, which in the end may be the difference in providing the necessary finance for attack planning. This is a classic case of CT government objectives not necessarily being synchronised with other departmental objectives and in this instance specifically around tax and benefits etc. We therefore need more engagement to explain our requirements and sell the message. It is perfectly understandable that what may be perceived as simple, benign welfare fraud may in fact be TF.”³⁰⁷

It was recognised that minor financial crime, personal debt defaults and state welfare fraud were areas which were likely to emerge as key priorities in the future and that greater engagement with the Department of Work and Pensions³⁰⁸ and the National Audit Office was essential if progress was to be made. Indeed, the latter has the capacity to match a variety of data sets from accounts certified by the Comptroller and Auditor General and could potentially play a greater role in future CTF interventions. That said, there was a cautionary note against too swift an adoption of this perspective, given the perceived lack of empirical research on the subject. Indeed, concerns were expressed that there remains limited visibility on the extent to which ostensibly autonomous cells generate finance. It was suggested that there was a danger in exaggerating the extent to which these cells operate independently.

“I would say that the emphasis on independent cells is overplayed at the moment. Even going back to the late 1990s, AQ [Al Qaeda] have always encouraged independent action. For example, the attacks in Tunisia in 2002 against a synagogue in Djerba, was an [Al Qaeda] inspired attack, self funded by an individual. It’s perhaps a mistake then to believe that because of western military and intelligence successes and the displacement of AQ, we are now witnessing a new phenomenon. Therefore ... the notion of a homegrown threat doesn’t really buck any trends. AQ has always been sufficiently flexible to adapt to

³⁰⁷ Interview with CTF practitioner No.3

³⁰⁸ Ibid

*operational constraints imposed by CT practitioners.”*³⁰⁹

The emergence of ‘franchised’ terror cells was considered more of a testament to the hostile environment created by law enforcement, given the increasing number of disrupted plots in recent years and the increase in the volume of persons arrested and charged with such offences.³¹⁰ The increasing reliance on home-grown cells was also explained in terms of the enhanced logistical and operational challenges facing the Al Qaeda leadership in commissioning a 9/11 style attack in the UK. Moreover, it was concluded, that the security regime in the UK was deemed to be sufficiently robust to frustrate and deter an attack on this scale, hence the focus on second and third generation disaffected UK nationals to mount low cost high impact attacks as an alternative.³¹¹ Aside from adding to the hyperbole which reinforced the current narrative on low funding thresholds, and the wholesale revision of CTF strategy to take account of these developments, it was suggested that too strong a focus on micro-financing methodologies had the potential to deflect operational focus from the real threat, those facilitation networks that support attack cells.³¹² Indeed both practitioner and policy officials confirmed these mutations and developments and law enforcement practitioners were specifically keen to stress that UK networks often looked externally, not just for inspiration or direction but for core logistical or financial support.³¹³

*“If you start looking at wider networks that fuel these attack cells, most of the attack cells in the UK have sprung from facilitation networks or morphed into attack cells. Facilitation requires money, it requires revenue generation, it’s about procuring items which are not necessarily available abroad such as GPS laptops that can then be sent to hostile environments. These will give the organisation a value, a value through goods as opposed to money. Now if you don’t interdict that, don’t do something about that, then that organisation has free rein. So interdicting the value in terms of the goods does have a disproportionately high net effect.”*³¹⁴

In summary, it was recognised that CTF strategy should be multi-dimensional and therefore comprise a suite of measures which included both macro and micro interventions given the range of finance threats now emerging. CTF strategy should continue to include macro

³⁰⁹ Interview with CTF practitioner No.1

³¹⁰ Ibid

³¹¹ Ibid

³¹² Interviewee’s 1&4

³¹³ Interviewee’s 1, 3 & 4

³¹⁴ Interview with CTF practitioner No.1

measures such as enhanced regulation, the sharing of best practice and procedures, financial sanctions and asset freezing. Regarding the financing of home-grown cells, it was accepted that unless such groups have access to significant ‘clean’ donor finance or as in the Glasgow bombing attacks in 2007, where the conspirators had the capacity to self finance, then ‘franchised’ cells in the UK will almost inevitably require to generate funds through minor frauds, debt defaulting or state welfare abuse. Such funding streams however provide a rich environment for subsequent law enforcement action with strong empirical evidence indicating the sharing of information and tradecraft across attack cells. Indeed, as outlined in Chapter Four, the subjects of Operations Crevice and Theseus consulted on fundraising methodologies³¹⁵, which should in part challenge the notion of strict attack cell autonomy and independence, stressing instead, connectivity and networking as key characteristics.

A further theme from the interview sessions linked the threat from home-grown cells to the wider issue of radicalisation and the potential role of CTF to play an enhanced role in this context. Whilst it was accepted that terrorist finance programmes were not specifically developed for counter-radicalisation, the potential application of CTF was recognised and indeed anticipated given the perceived natural axis between both phenomena.³¹⁶ Though acknowledging that disrupting funds for radicalisation was an area which had received greater government attention in the past, it was no longer considered an operational priority under the terrorist financing portfolio.³¹⁷

“Within the UK we do not put radicalisation under TF for legislative purposes, so for the purpose of interdicting, we do not see this under the “PURSUE” strand but rather under the “PREVENT” strand of CONTEST. The main TF dimension of addressing radicalisation is through the targeting of Jihadist websites by using financial tools, financial avenues, the collection of monies through mosques etc. It wouldn’t be for CTF practitioners to address this, it’s more of an issue at local level.”³¹⁸

On the whole however, it was acknowledged that seeking to address counter radicalisation through counter terrorist finance initiatives was likely to remain within the ‘Prevent’ strand of CONTEST for the foreseeable future and would be addressed through community

³¹⁵ Internal Metropolitan Police Service NTFIU Report, 8 February 2006

³¹⁶ Interview with CTF practitioner No.4

³¹⁷ Interviewee’s 3&5

³¹⁸ Interview with CTF practitioner No.1

focused programmes such as the “Rich Picture” Initiative.³¹⁹ Whilst CTF may have a complimentary role to play here in the future, it was overwhelmingly focused at present on targeting infrastructure rather than ‘soft’ power interventions.

Narratives and Assumptions: Finance as the ‘Oxygen of Terror’

On the issue of dominant narratives which shape CTF policy, the matter of finance as the 'oxygen of terror' and thus a key enabler of terrorism, was the subject of specific attention during the interview sessions. Whilst this was acknowledged as a core assumption governing current counter terrorism practice, concerns were raised regarding the current 'one-dimensional' exploitation of CTF which generally targets funding interventions to degrade terror group capability.³²⁰ A more creative and lateral application of the concept was advocated to target the strategic opportunities which finance provides to exploit wider organisational vulnerabilities.

*“Money is central to counter terrorism efforts. Most of the groups argue about money, it causes division within groups and is a permanent source of tension. I don’t believe we have a coherent information operations campaign that subtly and covertly seeks to exacerbate those tensions. This should comprise part of the focus and emphasis in terms of how we use financial intelligence in support of other counter terrorism operations. The reason we don’t exploit this, is because we are now focussing more on the tactical rather than the strategic. Money will always be a key enabler, access to finance will always determine the scale of event which our adversaries wish to deliver, it will determine the timescales and the level of sophistication. Access to finance generally provides greater options; this is exactly the same for the terrorist. Finance gives you the ability to develop more sophisticated systems to counter the actions of the military, police or intelligence services.”*³²¹

Thus whilst evidence from interviews reinforced the significance of CTF programmes generally, questions emerged regarding the centrality of finance and the continued value of CTF long term to deliver results, given the trend towards legitimate funding and more frugal resourcing by attack cells in recent years.

“The key assumption is that TF is important and that somebody should be doing something

³¹⁹ Interview with CTF practitioner No.4

³²⁰ Interview with CTF practitioner No.2

³²¹ Ibid

about it. I think there are still question marks about how important finance actually is and how much impact we can have in terms of tackling it, particularly with the recent emergence of self funding cells. It's still very important for example within the OSCT, there is definitely a recognition that there needs to be some unit with a specific responsibility for terrorist financing but as I've said there are question marks over how much impact we can have. There is definitely still an understanding that money does matter and that financial intelligence does matter for wider counter terrorism. It is difficult to really determine the impact we can have by trying to stop money flows when we see the small sums now required for terrorist attacks."³²²

Whilst these concerns are valid in the context of challenging whether current CTF interventions can impact on the funding requirements of autonomous financially independent cells, they perhaps ignore the value-added which counter 'threat' finance programmes continue to deliver at a strategic level.

*"For years we have almost become fixated on nominal or micro-financing and therefore when that plays out, the operational difficulties of targeting such small sums. As you know, practitioners are a pretty realistic lot and have resigned themselves to accepting that cutting off money flows is now virtually impossible. Look at the nature of recent attacks; it is not surprising that the focus began to shift to financial intelligence collection as a tool to assist wider counter terrorist investigations. This may turn full circle again as we look strategically at TF and focus again on targeting monies for wider infrastructure. So I would expect more emphasis in the coming years on Gulf donors, Zakat and on the Saudis. It will be interesting to see how the Arab Spring works out and whether we see AQ seeking to capitalise on developments there as things evolve, move forward."*³²³

The issue of donor funding from Gulf States emphasises the need to remain cognisant of the wider strategic threat and cautions against a radical revision of CTF in favour of new initiatives which focus too narrowly on micro financing interventions.

"Large sums of money are clearly required to support Al Qaeda infrastructure, Al Qaeda senior leadership in AQ Core in Afghanistan and Pakistan, yet nobody really knows how much money is involved or how the money movement works here because it is interspersed with migrant remittances, criminal money and legitimate money. I'm not sure we have a clear picture on AQ, the debriefing of the US material from Abbotabad will be very interesting and may shed new light on the scale of AQ Core

³²² Interview with CTF practitioner No.5

³²³ Interview with CTF practitioner No.4

*and the sums of money required to maintain the organisation in recent years.”*³²⁴

Thus CTF may be at a crossroads, from which new options and choices emerge. Just as operational events shape and guide responses, CTF practitioners and policy officials must decide on the future nature and direction of counter terrorist finance programmes. A new model may evolve, influenced by new narratives and assumptions and the distillation of intelligence product uncovered from the raids in Abbotabad in May 2011 which better illuminate the strategic funding requirements of Al Qaeda Core.

*“A lot of our current TF policy is US driven so I expect our strategy to reflect whatever is aggregated from the US debriefs from the OBL [Osama bin Laden] assassination.”*³²⁵

Whilst much of current UK CTF strategy is based on an understanding of what is distilled through intelligence reporting, there are still huge gaps in intelligence coverage and visibility. The intelligence picture is limited to current priorities which are focused overwhelmingly on Afghanistan. This explains the emphasis in recent years on attempting to acquire a better understanding of money flows to the region and accounts for the recent 'Terrorist Finance Surge Project', which targeted money transfers to Pakistan.³²⁶ The quest for co-terminus UK/US CTF programmes is hardly surprising given the global context of terrorist financing. Indeed, this collaboration has also been instrumental in attempting to influence Pan-European attitudes to CTF³²⁷ and accounts for the assimilation of those narratives which champion CTF as a key inhibitor.

*“One of the main things that informs CTF policy in the UK is the underlying intelligence picture and how we see AQ [Al Qaeda] and this of course draws on our understanding of how our international partners and by that I mean the US deals with AQ both militarily and from a TF perspective.”*³²⁸

Current US policy confirms the significance of finance as a major asset in counter terrorism programmes. Indeed, the US is particularly committed to the “operationalisation” and “institutionalisation” of counter threat finance within the US Department of Defence

³²⁴ Ibid

³²⁵ Ibid

³²⁶ Ibid

³²⁷ Interview with CTF practitioner No.1

³²⁸ Ibid

(DOD), which is now represented on a range of forums and committees to discuss terrorist and insurgent finance. The DOD is committed to the application of the 4 'D's doctrine – the denial, disruption, destruction and defeat of finance systems and networks which undermine US interests.³²⁹ Moreover, the US advocates a 'whole of government' approach to CTF which includes the military, intelligence agencies, law enforcement and diplomatic initiatives. This differs from the UK model where the Ministry of Defence are by contrast seldom engaged.³³⁰

“Let’s be clear, terrorist finance is not a priority for the military in the UK, but if the Security Service or rather if the intelligence services and law enforcement apply some of how the military think about addressing threat and capability and distilling the system for vulnerabilities and opportunities, this might better inform how UK PLC take this issue forward. There is a lot of work going on at the minute within the DOD [US Dept. of Defence] and some of this is likely to shift across in the future. It might be too early or too ambitious at the minute for the [UK] military to be at the table, but given the work on Taliban finance and insurgency finance, this should be considered. I think they would bring something fresh and let’s face it, as I said the current arrangements have been dominated by the usual suspects and there is clearly a danger in that. Look, the military see things differently and their experience in Afghanistan shouldn’t be underestimated. The DOD work could also be discussed here and this has obvious benefits for us all. Seeing things in a different way. UK Strategy on TF should be or will be I expect, targeted more around defeating networks. We should see the emergence of ‘All Source Fusion Centres’, TF, will concentrate more on creating a rich picture of knowledge in Afghanistan, understand the networks more, internal and external to Afghanistan as a means of degrading enemy capability, there should be more of a focus on Taliban Finance, not just AQ, this should be embedded more in UK TF strategy.”³³¹

It is widely acknowledged that CTF in the US remains a major operational asset and that attacking financing is still considered relevant and appropriate to counter the terrorist threat.³³² Yet this should be set against an emerging theme within the literature³³³ and the research³³⁴, which questions the continued impact of current finance initiatives to combat terror. This is arguably more pronounced, given the changes in the terrorism landscape; particularly when set against the vested interests which inevitably underpin public policy

³²⁹ US Department of Defense (DOD) Directive 5205.14 19th August 2011

³³⁰ Interviewee 2 citing US DOD publication ‘Counter Threat Finance Vision: Combating 21st Century National Security Threats’

³³¹ Interview with CTF practitioner No.2

³³² Interviewees 1, 2, 4

³³³ Acharya, A., ‘Small Amounts for Big Bangs: Rethinking Responses to Low Cost Terrorism’, Journal of Money Laundering Control, 12.3, 2009

³³⁴ Interviewee’s 2 & 4

programmes on this scale. That said, there was strong endorsement from those sampled for the ‘contribution’ if not the ‘centrality’ of finance interventions within wider CT strategy.³³⁵

“Money is still important, it’s just that the environment is changing and we need to react to this as well. The most obvious influence here is the work that is being done by the [US] military and the DOD [US Department of Defence] on counter threat finance. This will be picked up eventually and find its way into future strategy.... Ultimately there needs to be a multi-faceted approach. UN sanctions, synchronised with local asset freezing and other forms of disruptions, this is what is required to generate an affect. The use of targeting through a single tool [finance] is not the most appropriate way to move forward.”³³⁶

Some concerns were raised that the growing emphasis on reducing risk and particularly reputational risk has deflected attention from the core purpose of CTF, namely understanding how an adversary raises, stores, moves and uses terrorist funds. Whilst acknowledging that target hardening measures need to be in place, it was suggested that there has perhaps been a disproportionate focus on ensuring that the UK financial and benefit system is fully resilient from terrorist abuse.³³⁷ The key driver governing CTF policy should therefore continue to address how an adversary operates, from which 'enablers' can then be identified and targeted. Thus on the matter of whether counter terrorist finance programmes are 'critical inhibitors,' the interview sessions conveyed a broad pragmatism regarding the limitations of these interventions.³³⁸

*“I would say that without an adequate supply of money, terrorist organisations run the risk of suffocating or at least impairing their fitness to operate. It certainly won’t stop attacks; it will at best delay them and degrade their ability to operate. The bottom line I suppose is that money is still an important factor in any terrorist campaign because it gives you influence and ultimately some element of control”.*³³⁹

Whilst the use of financial data as a first phase intelligence asset is widely acknowledged, more work is needed in fusing this data with other intelligence platforms. It was however acknowledged, that in response to the new dispensation emerging around the autonomous funding template for home-grown attack cells, the emphasis and utility of finance as a

³³⁵ Interviewee’s 1,2,3,4

³³⁶ Interview with CTF practitioner No.2

³³⁷ Ibid

³³⁸ Interviewee’s 1,2, & 4

³³⁹ Interview with CTF practitioner No.1

critical inhibitor was now being questioned. It was further established that if finance interventions were to deliver operational impact, they must be used in conjunction with other instruments and assets and shaped by appropriate and credible intelligence.³⁴⁰

“Rather than have your fin-inters, geo-inters, and sig-inters, working in isolation, greater cohesion is required to map and fuse these various intelligence platforms. Someone needs to co-ordinate this at a training level, so that each of these disciplines, rather than operating in silos, develops an understanding of the strengths and value added from other areas and platforms.”³⁴¹

In summary, whilst there was a broad consensus on the direction of policy and strategy to deliver operational impact, it was recognised that CTF should be considered in context. As such, deploying CTF programmes against AQAP [Al Qaeda Arabian Peninsula] would therefore have had limited operational impact whereas communication and media interventions were seen as a greater asset in the Yemen than finance interventions.³⁴² CTF was thus considered a 'critical inhibitor' only when used in concert with other methods of intervention and targeting.³⁴³ At a practical, operational and investigative level, the ability to track and map financial transactions remains hugely beneficial in identifying and eliminating networks, highlighting relationships between individuals and identifying other opportunities for exploitation.

³⁴⁰ Interviewee's 1&4

³⁴¹ Interview with CTF practitioner No.2

³⁴² Ibid

³⁴³ Interviewee's 1&2

Part 2
OPERATIONAL EFFECTIVENESS

The Economy of Terror

The principal theme emerging from the interview sessions was an almost universal acknowledgement, that the 'economy of terror' had changed and that the low levels of finance required for recent attacks posed significant problems for CTF interventions generally. The operational choices between 'follow the money' and interdiction were thus considered within the context of these changes. It was suggested that there were greater opportunities for post-blast 'follow the money' intelligence dividends in this new dispensation with options for conspiracy phase interdiction at best limited, given the rather 'sterile' financial profile of recent UK attacks.

As a result of structural changes in terror group composition, sanctioning mechanisms and changes in financing methodology, it was suggested that greater emphasis should be given to targeting facilitation networks in the future. As a means of enhancing operational effectiveness, specific reference was made to typology analysis from the most recent UK attacks, to capture changes in terrorist funding profiles from which new strategies and counter measures might evolve. Indeed the events of 7/7 were cited as a seminal moment which defined a reorientation in the approach now required from CTF practitioners.³⁴⁴

*“I think we all realise that things have changed a lot in recent years, the economy of terror looks very different with relatively small sums now required for attack planning.”*³⁴⁵

The emerging options of 'following the money' and interdiction were addressed specifically, with the limitations of the latter cited as an ineffective counter measure against emerging financially independent attack cells. Scholars and practitioners have long been concerned with combating the 'lone-wolf' threat which is considered more difficult to counter than the dangers posed by top-down entities.³⁴⁶ Given that this model has now been

³⁴⁴ Interviewee's 1&2

³⁴⁵ Interview with CTF practitioner No.2,

³⁴⁶ Chermak S. M., et al 'Surveying American State Agencies About Lone Wolves' Studies in Conflict and Terrorism, Volume 33, Number 11, 2010

embraced by domestic jihadists, this structural configuration and the wider debate around “leaderless resistance” has resulted in further discourses around CTF methodologies in particular. Concerns were specifically raised on the viability of interdiction measures to impact ‘criminally sterile’ cells. The ‘follow the money’ doctrine was thus endorsed as a key asset in post incident investigations, particularly where there were significant evidence and intelligence gaps around the planning phase. The interviews thus reinforced the somewhat limited options for interdiction from increasingly ‘covert and anonymous’ threats.

“There is recent empirical evidence that shows that more attention is now focused on “following the money” and what has emerged is this tautology between “following the money” and interdicting finance flows. This will often vary depending on which one is in the ascendancy at any one time, and what we know about the nature of the threat and from other sources etc. So I think it’s wrong to categorise the whole approach to financial investigation as “follow the money”. In many ways this is misguided. In the end of course, the operational response must be tailored to the threat and what we are seeing increasingly is an invisible threat, certainly an anonymous threat and this extends to the [financial] footprint of course. So we need to understand the limitations of seeking to interdict the planning of these attacks and focus on the intelligence outcomes from following the money.”³⁴⁷

It was acknowledged that financial intelligence obtained from ‘following the money’ could provide investigative leads in identifying cell characteristics and associated networks, foreign travel, financial transactions and additional sources of external finance.³⁴⁸ By contrast, the rather routine, seemingly innocuous and legitimate behaviour exhibited by attack cell members during the conspiracy phase of recent high profile attacks, provided limited opportunities for interdiction. It was thus suggested that further typology work was required to advance the likelihood of impacting on other conspiracies, by considering new indicators which might emerge during plot generation phase.

“You still need to review [recent attacks] through a financial lens, not solely through a financial lens, there are other lenses we need to use when modelling any cell and key to determining the activity of cell members is the need to test that model against wider UK mapping. It’s important to determine whether this [trend towards financial independence] is an anomaly. Personally I would suggest that

³⁴⁷ Interview with CTF practitioner No.1

³⁴⁸ Interviewee’s 1,2 &4

*more emphasis needs to be placed on facilitators.”*³⁴⁹

Dealing specifically with the 7/7 bombings in 2005, two key indicators emerged attesting to the shift in financial management and modus operandi employed by recent UK attack cells. Those involved emptied their bank accounts in the last days of the planning phase and made arrangements to deal with all outstanding matters around their private finances. This included the making of wills and the provision of Power of Attorney to family members for transferring real estate.³⁵⁰ Such typology work and modelling clearly has the potential to inform CTF practitioners of key elements of new operational practices and provide indicators for future interventions.³⁵¹ The notion that the funding methodologies employed during the most recent UK attacks would act as a stimulus for the revision of CTF practices, with micro-financing interventions dominating the strategic agenda was however strongly dismissed.³⁵²

*“The micro stuff is crucial however, none of these individual strands are going to be successful in isolation. They should all be mutually fluid and support each other. The degrees of emphasis you give to each area should be fluid and we should revise our Delivery Plan on the basis of JTAC’s threat assessment and how we respond to new threats. I understand that recent attacks have resulted in greater emphasis being given to targeting low level frauds etc., however, we need to ensure that we don’t concentrate on this at the expense of our international work.”*³⁵³

Whilst it is perhaps understandable that changes in the economy of terror might result in greater emphasis on micro financing methodologies, evidence from interview confirms that the macro strands continue to dominate strategy. It was however acknowledged that CTF must be multi-faceted and continue to focus on facilitation networks through international interventions whilst recognising the need to police the threat from home-grown groups.³⁵⁴

“If you look at these cases [Domestic Plots] in isolation, the money may not appear as relevant, however if you start looking at wider networks that fuel these attack cells, then most of the attack cells in

³⁴⁹ Interview with CTF practitioner No.1

³⁵⁰ Interviews and analysis based on the content of Internal 'Confidential' Metropolitan Police Service Report 'Review of the Cost of Mounting the Terrorist attack of 7 July 2005', 8 February 2006

³⁵¹ Ibid

³⁵² Interviewee’s 1,3 &4

³⁵³ Interview with CTF practitioner No.3

³⁵⁴ Interviewee’s 1, 2, 3& 4

*the UK have sprung from facilitation networks or morphed into attack cells.”*³⁵⁵

Combating International Threats

Evidence from interview confirmed the continued reliance on the JTAC Threat Assessment to inform Ministers through the Terrorist Finance Action Group structures [TFAG] of emerging international and domestic threats and priorities. The current *'Threat Finance Toolkit'*³⁵⁶ which is shaped significantly by operational data and briefings and circulated to various threat finance stakeholders, was considered fit for purpose in addressing both international threats and domestic conspiracies by independently financed cells.³⁵⁷ 'The *'Threat Finance Toolkit'* provisions target the financial aspects of threats to national security and include proliferation and insurgency finance to complement the overwhelming focus on terrorist financing. It was acknowledged that successful 'macro' CTF interventions, delivered through a host of international initiatives, had resulted in significant impact in the funding of terror in recent years.

*“These international programmes clearly have had some success, the measures put in place after the [9/11] attacks by the US and adopted by ourselves accelerated the focus on CTF. The new measures to tighten regulation and lift standards clearly have degraded AQ funding methodology, though this must be seen in conjunction with the initial Western military success in degrading capability.”*³⁵⁸

Whilst new funding methodologies had evolved to finance domestic terror cells in the UK, these were accompanied by new developments on the international front. The 'transfer of 'value', exporting goods for sale, trade based money laundering, on-line gambling and 'kidnap for ransom', were cited as areas of increasing interest and vulnerability which should receive more attention and feature more prominently in future CTF strategy.³⁵⁹

“There is no single financial instrument or a single financial method that facilitators or financiers prefer. If you could block off one avenue then another will emerge, it's simply the mechanics of how things are. All financial instruments are capable of being abused, some more easily than others. This

³⁵⁵ Interview with CTF practitioner No.1

³⁵⁶ HM Treasury Publication for internal use only, *'Threat Finance Toolkit'* 2011

³⁵⁷ Interview with CTF practitioner No.3

³⁵⁸ Interview with CTF practitioner No.2

³⁵⁹ Interview with CTF practitioner No.1

was highlighted years ago, although not TF related with North African fraudsters who had designs on a particular UK institution. Once this was addressed by law enforcement, they simply moved on to another, so we have to be realistic here. Its hard to be precise or prioritise future threats, but we will likely see more emphasis on the transfer of value and exporting goods for sale, certainly in terms of trade based money laundering as a possible future source of TF internationally. We need to be aware of what is happening in terms of financial crime generally because this will migrate across to TF, so we need to be vigilant here with the growth of on-line facilities to disguise and launder money generally as an emerging area of concern.”³⁶⁰

The continued relevance of CTF as a discipline to deliver operational impact by degrading terror group infrastructure, whatever the configuration and context was reaffirmed during the interview sessions. The research specifically addressed those challenges from Al Qaeda funding requirements in the Arabian Peninsula (AQAP) and the Islamic Maghreb (AQM) and sought to establish whether UK Strategy was sufficiently flexible to counter these threats. Whilst these threats have arguably been superseded more recently by events in Syria in particular, they nonetheless illustrate how CTF programmes aim to degrade infrastructure and access to capital equipment such as vehicles and communications technology by targeting a variety of funding platforms. These have obvious limitations where the majority of finance is derived from 'kidnap and ransom' operations. Indeed, this was assessed as a particular area of concern given the limitations which CTF measures could affect on AQM's increasing reliance on this methodology.³⁶¹

“The majority of funds for AQM are derived from ‘kidnap and ransom’ operations and this is necessary to fund their operational requirements. In short they require Euros. My fear is that this will move beyond ‘kidnap and ransom’ to kidnap and political concession because this is how the ‘kidnap and ransom’ business works, either kidnap for political objectives, propaganda or the monetary reward.”³⁶²

The issue of “‘kidnap and ransom' was deemed especially problematic given the current policy constraints of non-engagement with terrorists on this issue. This was considered an area of particular concern given the emergence of closer alliances between AQM and criminal groups using this methodology. As such, it was suggested that a policy shift may

³⁶⁰ Ibid

³⁶¹ Interviewee's 1 & 5

³⁶² Interview with CTF practitioner No.1

be required to address this vulnerability.³⁶³

“Kidnap and ransom is going to become a greater problem in the future. There may be a policy shift here in terms of how we respond because whilst ransom payments to terrorist groups is a non starter, it is currently not prohibited to engage with and pay criminal groups such as the Somalian Pirates, so when terrorist groups start using criminal groups for funding we clearly have a problem.”
364

In the context of operational effectiveness, whilst it was recognised that CTF was a fluid and dynamic concept and would doubtless continue to add value to wider counter terrorism efforts,³⁶⁵ There was also an acknowledgement that CTF would in future give way to new technological and digital interventions.

*“My gut feeling is that TF [work] will still have a role to play for big strategic operations aimed at degrading organisational capability but will increasingly give way to new developments around our technical capabilities. Look at recent successes from drones and predator strikes. Displacement makes it more difficult to plan and build infrastructure. In intelligence terms GEOINT and communications Intelligence will become increasingly significant in the future. I'm not saying finance hasn't a role to play but already we are seeing the increased use of [cash] couriers to by-pass the banking system. What impact CTF might have in dealing with AQAP is hard to tell but I would expect more reliance on other [intelligence] assets in the future.”*³⁶⁶

³⁶³ Interview with CTF practitioner No.5

³⁶⁴ Ibid

³⁶⁵ Interview with CTF practitioner No.4

³⁶⁶ Interview with CTF practitioner No.2

Part 3
CTF ASSETS

Financial Intelligence

A further key theme emerging from the interview sessions was a recognition that CTF as a concept has continued to develop over time. More importantly however, this evolution, albeit assisted by developments in technology and digital media, has resulted in greater attention and emphasis being focused on the operational contribution of financial data generally. Whilst investigators have long recognised the value of financial information, the emergence of financial intelligence (FININT) as a distinct asset and specialist discipline, is one of the key developments in counter terrorism practice in recent years.³⁶⁷

“The way we now investigate terrorism has changed. There is now more emphasis on financial data, financial intelligence collection generally. FININT is seen as a primary intelligence asset along with SIGINT, HUMINT and GEOINT. The environment has changed. We are now in a digital age where the intelligence potential is hard to quantify. Who knows where we will go next with this. Do I believe that TF is still relevant for degrading AQ overseas or targeting the insurgents? Yes, because finance as I said will always be an enabler to capability. Finance enables or provides for infrastructure for all those non-attack related requirements. If you then look at how the military judges capability, it has defence lines of development or DLODs. If you degrade any of these, you degrade capability. I still think there is a lack of understanding around why we specifically target finance. In simple terms, we are looking at finance because it is an enabler to capability.”³⁶⁸

However, the acknowledged utility of financial data as a key feature of counter terrorism practice, has been accompanied by growing concerns regarding enhanced scrutiny and regulation, given the intrusive potential of this methodology and the obvious challenges to privacy and individual liberty.³⁶⁹

“There is a strong recognition within law enforcement, that we are in a very privileged albeit legally sanctioned position in gaining access to personal financial information and that certain procedures and standards must pertain to how we handle this material. We may get to a position in the

³⁶⁷ Interviewee’s 1,2 & 4

³⁶⁸ Interview with CTF practitioner No.2

³⁶⁹ Interviewee’s 2 &4

*future, where access to financial intelligence may be governed or graded by the severity of the crime. So if it became an issue, we need to make the argument that we require volume intelligence and volume surveillance where it poses a risk to life.*³⁷⁰

Financial intelligence has clearly emerged as a key asset to corroborate other intelligence platforms. In the context of addressing threats to national security, it is now considered essential to complement digital, signals and human intelligence as well as emerging assets such as geospatial satellite intelligence (GEOINT) and Image intelligence (IMAGINT).³⁷¹ The real value of financial intelligence however, is when it is overlaid with other intelligence products for source verification purposes and to provide a more complete understanding of the subject.³⁷²

*“We are certainly getting there in establishing financial intelligence as a significant collaborative area of intelligence that can corroborate existing intelligence or add new intelligence. It should be seen in the same way as SIGINT, HUMINT, GEOINT and IMAGINT. It is important to understand that financial intelligence only provides a unilateral perspective and its real operational value is when it is mapped over other intelligence platforms. The key is to cross-fertilise with other intelligence platforms to give you an all source picture.”*³⁷³

On the wider issues of privacy and data protection generally, there was a clear understanding of the need by police and intelligence services to sensitively manage data supplied by industry partners.³⁷⁴

*What is essential and vital is the need to develop and nurture these partnerships. We need to be aware and demonstrate some understanding of their position and our commitment to respect the way we handle this type of information. This is a key partnership. There is a requirement to constantly engage because of the emphasis we continue to place on financial intelligence mainly through suspicious activity reporting (SARs).*³⁷⁵

Indeed the need to continually nurture and develop these relationships, to build trust and confidence and to apprise private actors of the parameters and mandates governing law

³⁷⁰ Interview with CTF practitioner No.2

³⁷¹ Interview with CTF practitioner No.2

³⁷² Interview with CTF practitioner No.1

³⁷³ Interview with CTF practitioner No.2

³⁷⁴ Interviewee's 2&4

³⁷⁵ Interview with CTF practitioner No.4

enforcement finance interventions was cited as an area for attention. However, concerns were raised during interview, regarding future access to financial data on the scale currently enjoyed, given the public's increasing understanding of the power of financial information and the perceived challenges to 'privacy' and personal liberty as a result. It was suggested that this was perhaps an area, which might receive more scrutiny in the future from Regulators and Commissioners.

*“Financial intelligence is a tremendous tool for law enforcement. It's about identifying patterns of life, location and source verification etc. [It] has emerged almost as a separate discipline within CTF but one in which more operational attention is focused. The difficulty I foresee is the intrusive nature of this sort of collection. There's already a sense of paranoia on the scale of surveillance by the state, or a sense of the level of intrusion which law enforcement and the intelligence services can now bring from a range of assets. This is driven of course by technology. So I would expect some discourse in the future between the agencies and Commissioners regarding the regulation of these practices. The public at least notionally has some understanding of law enforcement capability, but it's not that well informed. The policy emphasis on openness and transparency will no doubt bring about some additional scrutiny in due course, but that's no bad thing. Law enforcement are simply exploiting the intelligence opportunities which these technologies provide. So I would expect that the way we collect financial intelligence may come under scrutiny in the future, not just financial intelligence, but other [digital] collection. There is a strong argument here regarding our CT mandates and our duty to protect the public. We just need to accept that this area may attract more scrutiny and supervision in the future.”*³⁷⁶

The interviews confirmed the evolution of CTF in response to developments in data surveillance and the emphasis on the operational value of financial information. Confronting the terrorist threat now routinely involves the collection, classification and analysis of financial information and other personal data.

“If you consider how far things have come since FISAC³⁷⁷ was established, then its pretty clear that the most obvious developments have been around our use of financial material for intelligence purposes. It's difficult to overstate the extent to which we rely on this material. It's difficult to imagine any CT operation or investigation without supporting financial intelligence work to advise and inform. As the digital capability expands, so to does our financial footprint. We are moving towards a cashless society and this provides an intelligence windfall for investigators. So the value of this product is going to become more important in the future, criminals and terrorist organisations can't avoid or easily circumvent these developments, the digital

³⁷⁶ Interview with CTF practitioner No.1

³⁷⁷ FISAC – The 'Financial Investigation Special Access Centre' based at Scotland Yard was the precursor to the Metropolitan Police Service National Terrorist Finance Investigation Unit (NTFIU SO 15)

and financial footprint is probably going to be more visible. You can rely on couriers to an extent to move small remittances, but financial intelligence or the value of financial intelligence is bigger than understanding TF. It's the wider intelligence and surveillance potential which financial intelligence provides which is the real story."³⁷⁸

However, it is precisely this access to wider data analysis programmes which focus on financial risk assessments, automated screening and telecom link analysis which raise much wider questions around sovereignty and governmentality.³⁷⁹ For many states, the events of 9/11 prompted a re-evaluation of the prevailing global security apparatus including a reappraisal of their existing surveillance architecture. In response to the attacks, several states hastily enacted legislation sanctioning enhanced levels of intrusion through access to consumer and bio-data. Significant surveillance opportunities thus emerged from developments in information technology and the capacity of networked systems. It was acknowledged during interview that law enforcement and intelligence agencies have benefited enormously from these opportunities by accessing those flows of personal data which regulate and monitor a variety of human interactions and activities.³⁸⁰ With the advent of globalisation, these modes of surveillance are now sufficiently flexible to track the movements, and general lifestyle preferences of individuals.

Several core themes have emerged in recent years in the quest to counter the funding of terrorism which challenge the notion of liberal governance. These include the increasing reliance on, and use of personal information by the state as a tool for subsequent risk analysis. In addition, pre-emption and the precautionary principle have now evolved within broader counter terrorism policy. The emphasis on the collection of financial data consolidates the requirement that policy interventions should be 'intelligence led'. Given that the pursuit of personal data and the pace of development around its collection and sharing, now outstrips our understanding of the consequences, concerns were raised regarding the need to champion these assets whilst recognising the challenge of reconciling personal liberty with security interventions.

It was suggested that the extension of financial intelligence collection by law enforcement

³⁷⁸ Interview with CTF practitioner No.2

³⁷⁹ Amore L., & de Goede, M., Op. Cit., p7

³⁸⁰ Interviewee's 1,2 & 4

and intelligence agencies has resulted in unintended consequences for the individual and their relationship with the state.³⁸¹ The interview sessions sought to consider the value of FININT and financial surveillance generally to counter the threat from terrorism. Ultimately these sessions acknowledged the underlying challenges to liberty and privacy as a consequence of enhanced data surveillance.

Public/Private Partnerships

The reliance on private actors for CTF interventions was strongly endorsed and these partnerships were considered essential in the fight against terrorism. The structure of the UK financial services sector and the concentration of personal accounts held by the major retail banks conferred significant operational advantages for law enforcement.³⁸²

*“We always believe that in comparative terms, certainly when benchmarking our relationships against other member states in the EU, that we have an excellent relationship and perhaps even an easier relationship given that there are four or five main retail banks which cover somewhere in the region of 75-80% of UK customers. So if you compare us to the US, where there are literally hundreds of institutions, we only need to concentrate on building and servicing four or five main relationships. Our framework for maintaining this relationship is of course legislative and in particular the DPA [Data Protection Act 1998] and other provisions under various financial statutes.”*³⁸³

Whilst acknowledging the value of these relationships, evidence from interview suggests that pragmatism largely defines these relationships. Indeed, whilst there was an acknowledgement of increasing reliance on and engagement with the financial sector generally, there was broad consensus that the commercial focus of these organisations and their statutory obligations for commercial governance and compliance mandates regarding 'Due Diligence' and 'Know Your Customer' provisions, would take precedence over law enforcement considerations.³⁸⁴

“The bottom line is that banks are commercial organisations wedded to their shareholders. In recent times, those non-profit parts of the business, the compliance regimes etc. have been squeezed and this clearly

³⁸¹ Amoores L., and de Goede M., Op Cit, p7

³⁸² Interview with CTF practitioner No.1

³⁸³ Ibid

³⁸⁴ Interviewee's 1,2 &4

may over time impact on the relationship and service given to police and other agencies. There is a degree of obfuscation at times, but the relationship in the UK is overwhelmingly a pragmatic one. I don't subscribe to the view that the institutions are 'foot soldiers'. Financial information provides a huge 360 [degree] insight into individuals of interest, but despite considerable improvements over the years, there is still a problem getting full access to tax information in particular. If we had access to this data, to investments, shares, relationships to financial advisors and accountants, real estate etc. in one hit, then this would be hugely beneficial, however, as things stand, this is almost prohibited."³⁸⁵

Thus what had begun as an ad hoc and somewhat distant relationship between law enforcement agencies and the financial sector, has developed into a central pillar within wider CT apparatus. Several factors account for these developments, not least the emphasis, which had been attached to multi-agency and partnership, programmes as a key aspect of public policy generally. The emphasis by US authorities on this type of engagement and the desire for replication particularly within the UK and the European Union was considered a key factor.

*"In wider terms, we are keen to develop a common approach in tackling TF, working collaboratively in support of our US and EU partners. There will clearly be some conflicting priorities but on the whole this has been about broader partnerships. The UK role and policy is in supporting the US TF tracking programme and communicating to the Europeans who are worried about the Data Protection aspect and data being transferred on Euro citizens to the US authorities. We can't stress enough the importance of this data from the programme in helping to build the intelligence picture and giving us new intelligence leads. But we just can't give details, specific details of which operations have benefited from this data."*³⁸⁶

It was however, the developing understanding of the operational value of financial data held by the institutions, which largely explains the emphasis on consolidating these partnerships.

"Clearly one of the sectors we have had most success engaging with are the formal financial institutions. We have an excellent relationship with the British Banking Association (BBA) and through them with the main financial institutions and they do have very good systems in place to disrupt ML and TF. We continue to engage with them because they continually want more information from us as to what red flag indicators are. We need to be better at feeding back the typologies, we can't simply

³⁸⁵ Interview with CTF practitioner No.1

³⁸⁶ Interview with CTF practitioner No.3

*demand enhanced levels of SARs reporting if we don't reciprocate.”*³⁸⁷

*“Public / private partnerships are clearly crucial to the collection of financial intelligence. You don't need this sort of engagement to do Signals Intelligence; you simply need a warrant from the Home Office and a set of headphones. You don't need public / private partnerships to do surveillance, you require a RIPA [Regulation of Investigatory Powers Act] authority, ten blokes, two bikes and two taxis, but you do require this for the financial institutions and Charities Commission etc. ... which is why we have strong relationships with these institutions.”*³⁸⁸

It is therefore in the context of enhancing intelligence flows, that these partnerships should be considered and understood. The current arrangements in the UK are based on a legislative framework which underpins and legitimises requests made by law enforcement, through the Data Protection Act 1998 and other statutory instruments.³⁸⁹ Aside from the formal mechanisms fostering closer engagement, there is considerable emphasis on promoting the notion of civic responsibility. Indeed the messaging around these partnerships affirms the view that the institutions have a key role to play within wider society and have a duty to support and engage with law enforcement around the supply of financial information for harm reduction and public safety. It is however recognised that this is a two-way process and requires considerable investment from all parties.³⁹⁰

*“The key here is the 1929 Banking Secrecy Act, which allows an institution to breach confidentiality if it believes that there is a threat to life. The UK position is that there is a legislative framework to underpin and legitimise the requests made by law enforcement. In addition, the Banks are part of our society and they have civic responsibilities to support, to supply information in support of law enforcement. This is a two-way process, it needs engagement and law enforcement has its responsibility to do its part to sell the message and explain in broad general terms why some of the requests are made. This is about building confidence.”*³⁹¹

Whilst the framework for maintaining these relationships is anchored by legislative instruments, with regulatory provisions and penalties, it is acknowledged that banks are ultimately private entities with commercial imperatives. As such, those parts of the

³⁸⁷ Ibid

³⁸⁸ Interview with CTF practitioner No.2

³⁸⁹ Terrorism Act 2000 & The Proceeds of Crime Act 2002

³⁹⁰ Interview with CTF practitioner No.2

³⁹¹ Ibid

business which typically interface with law enforcement, those non-profit functions such as Risk, Compliance and Security, are often less well resourced and supported. Indeed concerns were voiced that organisational restructuring in the wake of the global banking crises of 2008 had the potential to adversely impact on the relationship and service given to police and other agencies.³⁹² As such, greater engagement was encouraged to ensure that private sector partners understand their key role in providing data to law enforcement to reduce crime and enhance public safety.³⁹³ Notwithstanding the acknowledged organisational tensions that surface on occasions, the institutions are nonetheless considered a key CTF asset.

*“The nature of the relationship is no doubt influenced largely by the threat of regulation and penalties. The threat of exposure plays a large part in shaping the relationship. Often reputational risk is a factor and this must be balanced against their own policies and procedures and the pursuit of profit. It is simply the nature of how things work. The relationship in the UK is a good one, particularly between the NTFIU and the institutions, but it is as I have said, backed up with legal instruments.”*³⁹⁴

It was therefore considered essential and vital to develop and nurture these partnerships given the emphasis placed on Suspicious Activity Reports (SARs) in particular. Despite these developments, there was little acknowledgement from those interviewed, that the banking sector had now transformed sufficiently to the point where it had as de Goede³⁹⁵ has suggested, assumed “*proxy sovereign power on behalf of the State.*”³⁹⁶

I don't share the view that the institutions and the banking sector have transformed sufficiently to the point where they have assumed proxy sovereign power on behalf of the State as you indicate. They still retain a lot of independence, that's not to say that they don't engage, but it is necessary as SARs are important, because Government relies on SARs as the first barrier in maintaining a hostile environment and it has worked reasonably successfully with the major banks. Look at the intelligence value of the sort of information they hold and retain under the regulations [money laundering regulations], KYC [know your customer], basic information on names, addresses, spellings, additional mobiles, e-mail addresses etc. The official line is that they are valuable partners and the policy clearly reflects this. There is still an emphasis on the role of the private sector and this smoothes the path to an extent when

³⁹² Interviewee's 1 & 4

³⁹³ Interview with CTF practitioner No.1

³⁹⁴ Ibid

³⁹⁵ De Goede, M., Op. Cit., p161-179

³⁹⁶ Interviewee's 1&4

*we increasingly place greater demands on the institutions. There are the usual grumblings still about resourcing, particularly in the present climate and again the issue of feedback or lack of it continues to feature, although things have improved a lot recently. There's still the impression though that we don't share or fully engage, that we take more out of the partnership, although this is less of an issue now compared to how things were years ago. The vetted group [Financial Sector Representatives] has been a success to some extent here, it helps of course that we have the right contacts with the right sort of experience at senior levels within the institutions to grease the wheels. The other issue for us clearly is the sort of work and profiling which is captured by the banks in terms of understanding their customer base, for marketing etc. so that new products can be tested, targeted. There has to be some intelligence value in this for us. There might be more we could do here to explore this more, particularly given the problems we are likely to face from those cells which are under the radar, we should be thinking about which products are likely to assist more with anonymity.*³⁹⁷

It was further suggested that closer engagement with law enforcement was necessary in terms of political and commercial pragmatism. Whilst the institutions benefited from this interaction, they nonetheless retained considerable independence. It was suggested that these arrangements reinforced perceptions of civic responsibility, ethics and organisational integrity and were central to delivering counter terrorism outcomes.³⁹⁸

*“There's obviously an element of mutual benefit here in the relationship. The industry as a whole gets the benefit of partnership with the government, an understanding of the risks generally from criminal profits and terrorist financing, whereas we get access to valuable intelligence product”*³⁹⁹

*“The financial sector is always looking for greater engagement and more information. It's important for their reputation, it enhances their brand and yes it's about civic responsibility. They are a key partner in assisting with CT interventions and recognised widely as such. The Home Office enjoys good relations with other Government departments, clearly there is further work we can do in terms of reinforcing the need for greater due diligence in the allocation of monies by other Government departments to the various NGOs. There is an information message to be conveyed around the potential abuse of Government funding by donor groups with extremist views.”*⁴⁰⁰

A further perceived benefit to law enforcement from these partnerships was the potential

³⁹⁷ Interview with CTF practitioner No.4

³⁹⁸ Interview with CTF practitioner No.5

³⁹⁹ Interview with CTF practitioner No.4

⁴⁰⁰ Interview with CTF practitioner No.5

for preliminary engagement with industry professionals to discuss terrorist finance and wider criminal vulnerabilities from new financial products and instruments.⁴⁰¹

We have also issued a [Threat Finance] 'Toolkit'⁴⁰² We need to understand which [financial] products are likely to be susceptible to abuse, which are most vulnerable and engage with the financial sector at an early stage. So government understands the threat and the importance of disruption and undermining capability through financial interventions and it aims to make these tools part of the UK's approach to targeting threat finance in the round.⁴⁰³

"We should be trying to design out crime in much the same way as [police] Commanders have had an interest in this sort of stuff for years. I accept that commercial drivers take precedence, but we need to be much smarter in future. The default for any new financial product should be some element of resilience testing against ML and TF. Greater cooperation at the product development stage should be encouraged. It's not sufficient to leave this to the institutions, both law enforcement and the industry needs to be involved here. Let's face it, they are caught between a rock and a hard place because the Board wants them to make money yet they still have a wider social and moral responsibility to assist the State and reduce crime." ⁴⁰⁴

Whilst this was a matter which required further discussion, the concept of law enforcement consultation at the product development stage was considered an area for enhanced engagement, given the obvious dividends of applying initial security features to mitigate risk and the benefits of greater cooperation between both sectors around financial crime interventions generally.

"We need to be quite imaginative here, more dialogue is needed with the industry around their future proposals on new products and where this fits in terms of threats and vulnerabilities, not just for terrorist financing. Obviously their commercial and business needs will take precedence, but we should be looking to get an early heads-up on what this means potentially for law enforcement and the TF community." ⁴⁰⁵

Thus the consensus emerging was of an effective, if somewhat pragmatic relationship

⁴⁰¹ Interviewee's 3&4

⁴⁰² Internal HM Treasury Document published July 2010 to Threat Finance Stakeholders which provides information on a whole range of matters to assist with TF and threat finance.

⁴⁰³ Interview with CTF practitioner No.3

⁴⁰⁴ Interview with CTF practitioner No.4

⁴⁰⁵ Interview with CTF practitioner No.3

between CTF practitioners and the financial institutions. This was based on an understanding of differing, though not mutually exclusive operational and organisational values, albeit assisted by the existing structural apparatus which had helped to foster and nurture these partnerships.⁴⁰⁶ Ultimately however, the operational value of these partnerships will be determined by results and whether they impact significantly on the funding of terrorism. Whilst there has been an increased emphasis on multi-agency, multi sector engagement with public actors generally, it was acknowledged, that the acid test regarding success is not increased levels of engagement, interaction and shared responsibility, but rather, threat reduction and enhanced public safety.

*“It’s very easy to demonstrate teamwork, to simply keep passing the ball to someone else; in the end it’s about results. Sometimes there is reluctance by some government agencies to engage fully with the private sector. This needs to be more focussed, targeted and specific and address what exactly is required. At the moment we are perhaps content to demonstrate the partnerships rather than the outcomes.”*⁴⁰⁷

Suspicious Activity Reports

Whilst the SARs (Suspicious Activity Report) regime, the most obvious asset from these public/private interactions, has often been seen as vital in establishing a hostile environment for financial crime, doubts regarding the utility of SARs for combating terrorist financing emerged as a recurring theme. It was suggested that the retail-banking sector was extremely vulnerable to abuse and had carried significant risk historically due to unsecured credit thresholds across a range of financial products. Evidence from interview cited the increased use of credit cards by criminals to purchase goods which were in turn sold on for cash. The use of multiple identities on credit card applications was also highlighted as a further area of concern.⁴⁰⁸

“We know that the retail banking sector offers the greatest risk due to the unsecured credit available however there is very little that can be done here with SARs. Even though things have improved, we still see criminals using credit cards to purchase goods, and selling them on for cash –

⁴⁰⁶ Interview with CTF practitioner No.5

⁴⁰⁷ Interview with CTF practitioner No.1

⁴⁰⁸ Interview with CTF practitioner No.4

*how to you deal with that? We see the use of multiple identities on credit card applications. How do you combat that? ”*⁴⁰⁹

The use of such methodologies serves to highlight the limitations of SARs in these scenarios. Indeed, as a result of the operational impotence of the SARs regime to impact on this type of criminality, such products and mechanisms were likely to be exploited further by criminals and terrorists.

*“Given that some financial products will inevitably cause us problems and that certain types of bank and credit fraud are difficult to identify from a crime and terrorist financing point of view, this is where I would focus my efforts. This is where attack cells will concentrate I would guess and there is very little we can do. So from a SARs point of view they are pretty useless here. This is never likely to be picked up by the institutions.”*⁴¹⁰

In an attempt to enhance the effectiveness of the current SARs regime, greater outreach with financial institutions was encouraged on a range of matters. The need for regular debriefing to the financial sector at the conclusion of operations on trends and developments and emerging modus operandi employed by terrorist groups was acknowledged. Indeed it was suggested that greater mutual appreciation of the respective stances of law enforcement and private institutions had evolved over time and that a more formalised approach should be taken with regard to post incident debriefing particularly in terms of cooperation in typology development, in order that this can be disseminated to the institutions to thwart further attempts to generate funds through similar methodologies.⁴¹¹

“There was an element of arrogance I suppose, certainly at the beginning in the way in which we engaged the institutions generally, in the way things were done. We clearly had the authority and the security climate was such that these demands evolved. Now its developed and matured, its more of a genuine partnership, though the industry believes we could still do more in terms of debriefing incidents etc. There will always be tension, its simply the nature of how organisations function. It’s part of the culture of law enforcement and how key information is disseminated. We are now much more comfortable with sharing intelligence and assessments and this is now much more formalised. The FSA have been excellent here, the industry now has a better understanding of our needs and the way we

⁴⁰⁹ Ibid

⁴¹⁰ Ibid

⁴¹¹ Interviewee 2 & 4

*operate. We now understand the value which the institutions bring here in mapping typologies and looking for patterns, trends.*⁴¹²

Given the funding template used by recent domestic attack cells in the UK and the absence of financial crime to support these activities, there were huge difficulties in identifying terrorist financing from SARs submissions. As such, it was suggested that the institutions should be briefed more fully on these developments and the increasing limitations of SARs in this context and the emerging operational and intelligence challenges now facing law enforcement.⁴¹³

*“I think that there is or certainly was a degree of hyperbole around the whole SARs thing, a view that SAR's were gold dust. We however, must take some responsibility here and engage more, be clear about their limitations and our requirements.”*⁴¹⁴

That said, it was acknowledged that the financial institutions and the regulated sector are key CTF partners and that despite the difficulties, SARs continued to add value when fused with other assets.⁴¹⁵ There were however several calls for improvements in the quality of SARs reporting generally.⁴¹⁶ Indeed, it was suggested, that further 'product development' around SARs would enhance the ability of police and intelligence agencies to analyse and extract 'richer' and more detailed material. Enhanced liaison and engagement with the financial institutions could facilitate greater access to biographical and lifestyle data captured by the institutions under the KYC (Know Your Customer) protocols. A greater understanding of the customer profiling data developed by commercial organisations largely for sales and marketing purposes was seen as an important and largely untapped intelligence asset which had not yet been fully exploited.⁴¹⁷

“I still think that there are still some problems with the quality of SARs reporting, although things are improving. If you look at the sort of material which is routinely recorded now under the [money laundering] regulations and their KYC and CDD obligations, then this is clearly intelligence gold dust for starters, but it requires to be developed and refined further, and I'm not sure that this is

⁴¹² Interview with CTF practitioner No.2

⁴¹³ Interviewee's 1, 2 & 4

⁴¹⁴ Interview with CTF practitioner No.1

⁴¹⁵ Interview with CTF practitioner No.2

⁴¹⁶ Interviewee's 1, 2 & 4

⁴¹⁷ Interview with CTF practitioner No.4

ever really fully recognised or understood. ”⁴¹⁸

*“SARs reporting is unlikely to provide the “silver bullet”, they are unlikely to be the final piece in the jigsaw, but they have value and we need to engage more to lift the quality and improve data-mining generally. Somebody said of SARs, they may not save your life, but they are the “canary in the mine-shaft”. They are often the first indication that’s something’s wrong. I suppose SARs can claim some credit for shining a light on the whole financial intelligence thing and that perhaps is what we should concentrate on when assessing their value, it has changed the way we investigate crime and terrorism.”*⁴¹⁹

Whilst it emerged that the value of SARs for CTF outcomes may have been somewhat overplayed, there was nonetheless an acknowledgement that the SARs regime had served to heighten the interest and attention given to financial intelligence as an asset to CT and criminal investigations generally.⁴²⁰ Whilst it was stressed, that financial information required to be analysed and overlaid with other data for wider operational impact, SARs had a key role in shaping subsequent modelling and typology work and that this was an area in which greater attention and resources should be allocated to advance their value. This emphasis on modelling and typology profiling was therefore considered essential in order that banks respond appropriately to the data and set their internal control strategies in an effort to enhance the likelihood of identifying fraud and terrorist financing.⁴²¹

*“We have done some modelling around a Vulnerable Products Paper which identifies products which have been used in the past, the products which are vulnerable to exploitation to finance terrorism or other extremist activity. We are also relying here on the need for regular and routine debriefing to the financial sector on the modus operandi employed by terrorist groups or extremists. This should be done automatically at the conclusion of operations and investigations so that this knowledge can be disseminated further throughout the financial sector to thwart other attempts to generate funds through similar schemes. I know this has been done by NTFIU in the past but it also firms up their partnerships with the reporting sector.”*⁴²²

Finally, the FATF regime was cited by several participants as a valuable asset in promoting SARs universally and attempting to raise standards around the investigation of financial

⁴¹⁸ Interview with CTF practitioner No.1

⁴¹⁹ Interview with CTF practitioner No.4

⁴²⁰ Interviewee’s 1& 4

⁴²¹ Ibid

⁴²² Interview with CTF practitioner No.4

crime and specifically in promoting the risk based approach. FATF was also endorsed for its role in attempting to foster wider international cooperation to combat both money laundering and terrorist financing.⁴²³ FATF was further credited with developing an industry standard across various jurisdictions and a network of subgroups, which in turn had raised legislative standards.

“FATF is a useful lever for us for our international work and trying to get certain countries to take TF work seriously. The fear of reputational damage through naming and shaming is a great tool for this. We still need to focus on capacity building and training which I know is being taken forward to great effect by the NTFIU, but we still need to invest here. The fact that FATF exists and has taken on TF work as part of its wider portfolio is important in selling the message, particularly to those countries where we have problems. I’m aware of the arguments here, its difficult to say, but Ministers will always take comfort from these institutions, even if there is probably more cynicism from practitioners.”⁴²⁴

“[FATF] has created the basis to continue the conversation on CTF, whether that’s confronting old or new terrorist groups. What you get is a degree of international buy-in, a standard from which governments, institutions or law enforcement can learn. There will always be a huge benefit from the promulgation of its policies, however, the real value I suppose is on the diplomatic front, it puts CTF on the agenda, though it still falls some way short of really having significant impact for practitioners. There are still major legal and jurisdictional problems which sit outside the remit of FATF.”⁴²⁵

Thus, FATF was valued more by government officials as a vehicle to promote finance interventions and accelerate scrutiny and set universal standards around risk and compliance. Its value from a practitioner’s perspective of those sampled was less enthusiastic.

“You do need international conventions, some sort of structure which recognises the need to combat money laundering and terrorist financing and the [Terrorist Finance] recommendations do push the boundaries and assist in establishing greater understanding. There is criticism that the real value is cosmetic, it seems that the emphasis is more about the institution itself rather than what it can deliver for practitioners like us. The nine TFSR’s [Terrorist Finance Special Recommendations] are a macro-level, supra national way of getting FIUs, the regulated sector, the SARs regime and all those regulators that fall out of it more focused and cohesive. It’s about enhancing credibility for what the role of a national

⁴²³ Interviewee’s 1, 4, & 5

⁴²⁴ Interview with CTF practitioner No.5

⁴²⁵ Interview with CTF practitioner No.1

FIU should target and also about establishing the minimum standards required for protecting financial intelligence. As a tool specifically for targeting terrorist financing, I would say the jury is still out, but some of the Working Groups on Terrorist Finance have produced some reasonable typology exercises.”

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*“I’m not convinced that the TF special recommendations have delivered. This was a classic policy response. They were more about catching the TF tide, about finding a TF role for FATF. They [Terrorist Finance Special Recommendations] certainly matter to Government; they are taken extremely seriously when you are mutually evaluated by your peer group. Nobody wants a bad evaluation. FATF have created an almost industry standard across many States and created a network of sub-groups whether it’s the Asia Pacific group or elsewhere. Whilst they may have a basic legislative standard, many States still may lack the resources beneath that.”*⁴²⁷

In summary, whilst there were doubts regarding the impact of the FATF Terrorist Finance Recommendations, FATF was considered a useful lever for the UK government to enhance its international work on CTF by encouraging a range of countries to embrace reform and tighten their internal risk and compliance procedures. The fear of reputational damage through naming and shaming for non compliance with FATF mandates was considered a valuable tool in securing wider international engagement and underscores the value of multi-lateral, multi-sector cooperation. Whilst the emphasis internationally was focused more on capacity building and training, FATF was nonetheless considered an important partner in selling the CTF message and welcomed as such by UK ministers.⁴²⁸

⁴²⁶ Interview with CTF practitioner No.4

⁴²⁷ Interview with CTF practitioner No.1

⁴²⁸ Interview with CTF practitioner No.5

Part 4
FUTURE CHALLENGES AND VULNERABILITIES

The final part of the research considers the “*Future Challenges and Vulnerabilities*” which are likely to dominate the CTF agenda in the years ahead. This was deemed necessary to inform future public policy and operational strategy. It draws on the professional experiences of those sampled and further seeks to elicit recommendations on suggested improvements to the current apparatus in addressing these challenges. It was therefore informed by a visceral and intuitive understanding of how the terrorist finance landscape might evolve, from which counter measures and the future resilience of CTF infrastructure might be considered and revised. In recent years, greater attention has been given to understanding remittance systems and most notably, the vulnerability of Money Service Bureaus (MSB's) as a platform for terrorist financing and money laundering. Whilst strongly reflected in both the literature and policy,⁴²⁹ this theme was also reinforced during the interview sessions, with the dedicated and enhanced targeting of MSB's considered a key priority.⁴³⁰ Whilst the challenge of addressing the threat emanating from home-grown groups was cited as the principal domestic challenge in the short to medium term,⁴³¹ Pakistan and Gulf Donor states were acknowledged as the main international threats.⁴³² As regards those measures cited to improve future UK CTF interventions, greater judicial cooperation and international engagement were advocated⁴³³ along with enhanced access to secondary financial data, for the purpose of modelling and profiling in order that CTF policy and strategy might be better informed.⁴³⁴

Remittance Systems

With regard to remittance systems and Money Service Businesses (MSB's) in particular, several initiatives in the “*Counter Terrorist Finance Strategy and Delivery Plan 2011/12*” specifically include provisions to strengthen the governments approach to the MSB sector

⁴²⁹ HM Treasury, ‘*Anti-Money Laundering and Counter Terrorist Finance Report 2011-12*’, p7, January 2013.

⁴³⁰ Interviewee's 1,3,4&5

⁴³¹ Interviewee's 1,2,4,5

⁴³² Ibid

⁴³³ Interviewee's 1&5

⁴³⁴ Interviewee's 3&5

and tangentially, to improve the UK's capability to disrupt terrorist cash couriers.⁴³⁵ Though acknowledged that MSB's have traditionally been an easy conduit for diaspora communities to remit funds, there was a consensus that CTF interventions are particularly vulnerable to these entities given their lack of formal controls and SARs reporting.⁴³⁶ As such it was suggested, that greater operational focus be given to targeting the routine use of these institutions for small remittances from the UK to hostile environments overseas. Whilst there was sufficient evidence and intelligence presently, to indicate complicity in terrorist financing and crime by some MSB's, from a regulatory perspective these infringements were difficult to identify given the lack of transparency around cash transactions.⁴³⁷ Moreover, the current supervision and regulation of MSB's was highlighted as an area of particular concern.

*“The focus in future years should be on the vulnerabilities of small institutions such as MSB's rather than large institutions and the routine use of these institutions for small remittances out of the UK to hostile environments. I understand the legitimacy of these businesses and why they are used and the fact that from a regulatory perspective it is difficult to spot TF or crime. There is however sufficient evidence presently to indicate complicity in TF and crime by some MSB's. There is a cross over here and it is difficult to address this given the lack of transparency in targeting cash.”*⁴³⁸

*“The use of HMRC as both an enforcer and regulator of a 'light touch' regime has not in my view been a success. We need to take a look again at the regulation; its not working, its difficult I know, but this is where we are most vulnerable, MSB's and [Cash] Couriers. The problem here is separating out the legitimate transfers from the criminal, we have a major problem here with monies going out to the FATA, Pakistan generally, we just can't be specific. Again there is perhaps an intelligence failure here on the detail. This is a big concern. Part of the problem is cultural. We have become too accepting of the difficulties, we need to make an example of those we suspect to be complicit, to send out a strong message. They are only really paying lip service to the regulations, we need to focus on SARs here as a starter, get the quality and the numbers up for a start.”*⁴³⁹

The limited prospects of securing successful operational outcomes against Informal Value Transfer Systems (IVTS), Hawala and Money Service Businesses, was universally

⁴³⁵ See FATF 'Terrorist Financing' Report, p23, February 2008, regarding cash couriers specifically.

⁴³⁶ Interviewee's 1,3 & 4

⁴³⁷ Interview with CTF practitioner No.1

⁴³⁸ Ibid

⁴³⁹ Interview with CTF practitioner No.4

recognised by all participants.⁴⁴⁰

“Remittance systems will always be problematic for us, we just have to accept that, but we need to be smarter in identifying 'bad money'. Take Western Union with its large financial intelligence unit based in Denver, even they are at a loss in separating out dirty money or money for terrorist financing. If the funds are moving through the unregulated sector, you have virtually no chance of detecting it for intelligence purposes, never mind trying to disrupt it, particularly when the number one remittance corridor is to Pakistan. When the sums of money now involved are so small and mixed in with thousands of perfectly legitimate remittances, this is virtually impossible. It's the same with cash couriers, obviously with regular and substantial number of travellers going to Pakistan and other TF destinations they take cash with them so the perennial question and real challenge is how do you identify bad money.”⁴⁴¹

A reassessment of the fundamentals around remittance systems generally was suggested, although it was acknowledged that work was currently on-going in terms of remittance profiling and a re-evaluation of the current supervisory regime as well as law enforcement engagement with the sector.⁴⁴²

“The MSB sector obviously is a major source of concern and we are already doing some work here to strengthen our approach to the sector. This is a Treasury lead and we are focused in terms of delivering impact here and have already taken this forward with HMRC in terms of identifying key deliverables to disrupt the use of MSB's for the purposes of TF and obviously crime generally. We also need to improve our knowledge on TF generally. We need a better understanding of the nature and scope of TF across the UK. We are not really getting as full and comprehensive a picture as we would like, we believe we are well sighted on the picture here in London, but there are gaps in our understanding overall. We need further outreach work here regionally with our [CT] partners to really understand the scale of the problem.”⁴⁴³

Further difficulties were highlighted regarding the monetary thresholds for remitting funds, most notably the fact that no formal documentation is currently required for payments of less than €1,000. Given that UK nationals often routinely remit funds to diaspora communities in Pakistan in particular, the ‘red light’ indicators for money laundering are inappropriate and thus ineffective for terrorist financing, unless the funds have been raised illegally.

⁴⁴⁰ Interviewee's 1,2,3,4 &5

⁴⁴¹ Interview with CTF practitioner No.3

⁴⁴² Ibid

⁴⁴³ Ibid

“There is very limited reporting in the UK from MSBs and funding TF is extremely difficult as much of the reporting is badged as money laundering. There is a priorities issue here, whilst the Security Service are interested in terrorist finance, they don’t look at TF as a separate issue, it tends to be incorporated within a wider suite of activities linked to specific operations. We on the policy side could perhaps benefit if there was more modelling done on TF as a separate and distinct subject area to shape and inform public policy.” ⁴⁴⁴

In an effort to enhance outcomes, consideration has been given to reviewing current US and European supervision practices which target the expansion of the regulated sector to include previously unregulated entities. It was further suggested that the civil enforcement role undertaken by HMRC Assurance Officers under the Money Laundering Regulations 2007 should be used to greater effect. In future there should be less focus on compliance in administrative terms, with greater use instead of the civil and criminal penalties to name and shame persistent offenders.⁴⁴⁵ Indeed HMRC currently has the ability to levy unlimited fines on businesses which fail to comply with customer due diligence requirements, flout audit and record keeping requirements and those entities that trade outside HMRC's supervision.⁴⁴⁶ Finally it was acknowledged that successful interventions against MSB's would as a consequence result in other methodologies assuming greater significance.

“The more success we have in creating a hostile environment for MSB's and Hawala, then the more couriers will be used. We will simply displace the problem, although this is nothing new, we understand this and simply have to plan accordingly.” ⁴⁴⁷

Cash Couriers

It was acknowledged in several interviews that terrorist financiers and criminal organisations use various methods to remit illegal funds.⁴⁴⁸ These generally involve the use of the financial system, fraudulent trading arrangements and the physical movement of money. The UK is assessed to be a net exporter of terrorist finance⁴⁴⁹ with cash couriers, MSB's and bearer negotiable instruments (BNI's) the preferred methods of concealment

⁴⁴⁴ Ibid

⁴⁴⁵ Ibid

⁴⁴⁶ Interview with CTF practitioner No.5

⁴⁴⁷ Ibid

⁴⁴⁸ Interviewee's 1, 2, 3 & 4

⁴⁴⁹ Interview with CTF practitioner No.2

and transfer.

“We know that groups use a variety of methods to move funds out of the UK. We are doing a lot of work around the threat in terms of money transmitters. What does a UK money transmitter look like, how do we best approach that market in terms of our supervision of it, how might law enforcement engage with that sector and what should we be doing differently? These are the sorts of issues we are currently looking at. Of course one of the problems is and perhaps contrary to how we used to think, it’s not just hawaladars and back-street Money Service Bureaus (MSBs) that are being abused. Actually because of the fact that if you are transmitting under €1,000, which quite often people are transmitting these amounts to relatives who might be based in the FATA, you don’t even have to produce documentation, and the red light indicators you might look for in terms of money laundering don’t necessarily exist in TF unless the money has been raised in an illegal way.”⁴⁵⁰

It was suggested that terrorist finance is commonly moved from the UK in small amounts by cash couriers⁴⁵¹ in particular and in the absence of specific intelligence, it is often difficult to differentiate terrorist financing smuggled by money remitters from legitimate or other forms of criminal funding.

“Cash smuggling is a real concern and with the sums involved, it’s difficult to pin down whether this is legitimate or TF [terrorist financing]. We know that AQ prefer this, there is no need to engage with the financial sector, no audit, the money is simply carried to the source of need. The Operation Tartan⁴⁵² work is on-going and there has been some success in targeting routes to disrupt facilitation and funding. The big problem here is that the legislation doesn’t cover e-money and [stored] value cards. We need to look at this, we urgently need the legislation in place to block this loophole.”⁴⁵³

The issue of cash couriers has long been considered problematic for terrorist finance practitioners, with FATF having adopted Special Recommendation IX (SR IX) on Cash Couriers in October 2004.⁴⁵⁴ SR IX requires jurisdictions to implement measures to detect and prevent the physical cross-border transportation of currency and other bearer instruments. The ensuing ‘Guidance Document’ which advocates the development of

⁴⁵⁰ Interview with CTF practitioner No.3

⁴⁵¹ The term ‘cash courier’ refers to persons who physically transport currency on their person from one jurisdiction to another.

⁴⁵² Operation Tartan is a law enforcement initiative targeting undeclared cash movements through the monitoring of UK ports and airports.

⁴⁵³ Interview with CTF practitioner No.1

⁴⁵⁴ FATF ‘Detecting and Preventing the Cross Border Transportation of Cash by Terrorists and Other Criminals’, 12 February 2005

intelligence based typologies to map trends in the ML/TF environment, is supplemented with a suite of 'Red Flag' Indicators to highlight suspicion and includes various profiles in respect of jurisdictions, travellers, currency and documents⁴⁵⁵ These typically focus on false declarations, suspicious behaviour, unjustified frequency of travel and the carriage of bulk cash amounts.

*"We need to accept that trying to disrupt all the TF that goes through MSB's and cash couriers is going to be extremely difficult. Couriers will continue to frustrate us. With couriers there is no footprint, their MO often involves multiple [staged] journeys, deflecting suspicion. We are also likely to face problems with 'value' transfers, high value commodities which look inauspicious but can be converted later and used for TF. The UKBA have done some work here, work on indicators, some of it is pretty straight forward, obvious discrepancies in travel arrangements, that sort of thing, late arrival for check in, paying in cash, using or carrying multiple currencies."*⁴⁵⁶

Home-grown Threat and Low Cost Terrorism

The threat from radicalised UK nationals was universally considered the most potent short to medium term threat facing CTF practitioners when allied with the transition to 'low cost terrorism'. Particular concern was expressed in terms of identifying 'home-grown' groups from those with no discernible financing or criminal profiles. The threat from professional classes with the capacity to self-finance inspired terrorist operations was seen as particularly problematic.⁴⁵⁷

*"The main problem then is dealing with radicalised UK nationals. This is the 'elephant in the room', its going to be a major problem in the future if we are not picking up any indicators, if its all very discreet, non visible. We have always relied on multiple sources of intelligence to provide a trigger, some indication financial or otherwise to look for investigative and disruption opportunities. The self financing issue will be a problem however this is not likely to be sustainable for all those involved. It might now be the preferred option, but even though the operational costs are diminishing, the training, travelling and procurement costs should provide the right indicators when assessed with other intelligence. We will simply continue to review and refresh, to understand these developments and frame our operations to reflect the changes in MO [modus operandi]."*⁴⁵⁸

⁴⁵⁵ Ibid, p14-17

⁴⁵⁶ Interview with CTF practitioner No.5

⁴⁵⁷ Interview with CTF practitioner No.4

⁴⁵⁸ Interview with CTF practitioner No.1

“... the obvious one is dealing with our own radicalised groups, and how we see this panning out in the future and how we attack the funding. This is more of a PREVENT initiative⁴⁵⁹ but is likely to be difficult from a TF point of view, although we did see some indications of cooperation between some of the groups recently. I suppose the emergence of 'low cost terrorism' will provide the main challenge to those of us involved in this type of work. Let's face it, if you reduce your [financial] footprint, then you reduce the opportunities available to law enforcement, whether that's in terms of intelligence or disruption.”⁴⁶⁰

It was recognised that terrorist financing was a fluid and dynamic phenomenon and thus subject to constant mutation and evolution. As such, it was suggested that consideration should be given to reviewing the funding methodologies of Irish groups to determine whether any parallels were evident in terms of low level and discreet funding mechanisms which might be applied to impact the financing of domestic Islamic attack cells.⁴⁶¹

“There must be some lessons from the TF work done in Northern Ireland which are transferable. These things are often cyclical, in the end the ethos and ideological drivers might be different, but it's about raising funds for terrorism. So as we become more sophisticated, groups will look at new low key, low profile ways of raising money either independently or through low-level crime. We could benefit from an understanding of whether there are lessons to be learnt here.”⁴⁶²

There was further appreciation and understanding that vulnerabilities were omnipresent given the corresponding commercial progress around the developments in virtual payment systems, digital currencies, e-money and financial products generally.⁴⁶³

“New payments methods and the threat that these pose will inevitably feature. Clearly organised crime tends to lead on these things and our view is that terrorist groups are probably slightly behind the curve on these at the moment and are not currently exploiting new payment methods, but this will change, it's only a matter of time of course. We have seen an increase recently in the use of virtual payment systems, digital currencies, e-money and e-gold, mobile phone enabled banking, although again more work is needed in terms of their use for the purposes of TF. But there are vulnerabilities there that we should address.”⁴⁶⁴

⁴⁵⁹ ‘PREVENT’ is one of 4 separate work streams within ‘CONTEST’, the UK Strategy for counter terrorism.

⁴⁶⁰ Interview with CTF practitioner No.2

⁴⁶¹ Interviewee's 1, 2 & 4

⁴⁶² Interview with CTF practitioner No.1

⁴⁶³ Interview with CTF practitioner No.5

⁴⁶⁴ Ibid

Though acknowledged that new payments methods and the threat that these potentially pose will inevitably feature as a means of financing terrorism, the use of digital methodologies is at present confined largely to organised crime syndicates. However, the likelihood of these cascading to terrorist financing is therefore strongly anticipated.⁴⁶⁵ There was also recognition that pre-pay cards in particular have emerged as a major threat, given the advantages which they offer to the 'unbanked' population and the Simplified Due Diligence (SDD) regulations which govern their issue. Indeed, it was suggested that the SDD arrangements are clearly at variance with the FATF risk based approach. The threats from prepaid e-money cards merely highlight the ever changing financial landscape and the emerging challenges facing CTF practitioners.

*“Everything is vulnerable, but it's the swiftness of counter measures which is important, and possibly what overlays that is tighter EU regulation. There are vulnerabilities still. Look at the issues around pre-pay cards. These are not covered under POCA [The Proceeds of Crime Act 2002] so there is little we can do here in terms of [cash] seizures. You can go into a retail outlet and buy a pre-pay card without any real due diligence being conducted. This is clearly at variance with the 'risk based approach'. This opens up options of internet procurement and anonymous means of payment so this is a major problem for TF and ML in that the money can simply be couriered using multiple pre-pay cards. Secondary cards can be issued which can then be posted abroad, cash can then be moved across borders and we have the further difficulties of conducting electronic identity verification. In terms of the TF threat, you can simply stockpile prepaid cards for use by sleepers when the need arises. How do you deal with that?”*⁴⁶⁶

It was suggested that one of the growing concerns at the moment, is the lack of understanding regarding the scale of monies donated to bona fide charities in the UK, which is in turn being used unwittingly to support extremism overseas.⁴⁶⁷

“One of the main concerns at the moment is charities and donations raised in the UK being used to support extremism overseas. We need more visibility on this. We are doing some work around this. Part of the problem here is that people are giving freely in the belief that it is for a legitimate cause however, clearly a portion or some if not a considerable amount may be used overseas. We simply don't know. This is a real problem. We are hoping to address this through a series of initiatives, - safer giving campaigns and other awareness projects. The issue of illegitimate funds or illicit money is the big

⁴⁶⁵ Interviewee's 4 & 5

⁴⁶⁶ Interview with CTF practitioner No.1

⁴⁶⁷ Interview with CTF practitioner No.5

problem, but it's one I'm not sure we can ever totally crack."⁴⁶⁸

There was strong acknowledgement that there were significant intelligence gaps around charitable giving by diaspora communities generally and this was a matter likely to attract greater attention in the future. It is recognised that UK donors are routinely giving freely to domestic charities based on cultural or religious practice, yet remain unaware that monies may be remitted overseas.⁴⁶⁹ As such it was anticipated that public policy would focus increasingly on charitable giving in the years ahead as a means of combating both TF and UK donations supporting extremist Madrassas in Pakistan. Whilst there has been recent political pressure from the Pakistan authorities for the UK to address this more effectively, it was suggested that the matter sits more appropriately under the 'Prevent' rather than the 'Pursue' strand of CONTEST.⁴⁷⁰

*"We need further outreach work here regionally with our [CT] partners to really understand the scale of the problem, although this is being addressed, the 'Safer Giving' work⁴⁷¹ should help in terms of increased profile and getting the message across. I don't really think we can comment with much confidence on the amount of money donated to charities, we need a better understanding here still. There are huge sums donated unwittingly which are used for TF, so we are focusing our messaging campaign here to deal with this."*⁴⁷²

Gulf Donors

The issue of donations from Gulf States was highlighted as an area of continued concern. This draws on the conclusions of the 9/11 Commission Report in 2004.⁴⁷³ More recently though, whilst there has been a general acknowledgment that the Saudi's have been cooperating more actively on CTF than at any previous point,⁴⁷⁴ terrorist financing emanating from Saudi Arabia remains a serious concern and constitutes a key source of funding to Sunni extremist groups worldwide.

⁴⁶⁸ Ibid

⁴⁶⁹ Interview with CTF practitioner No.3

⁴⁷⁰ Interview with CTF practitioner No.1

⁴⁷¹ The 'Safer Giving' project aims to provide advice on charitable giving to prevent abuse of charitable donations for terrorist purposes. See Charity Commission Counter Terrorism Strategy, Revised April 2012. www.charity-commission.gov.uk

⁴⁷² Interview with CTF practitioner No.3

⁴⁷³ Comros, V., 'Al Qaeda Finances and Funding to Affiliated Groups', Giraldo, J & Trinkunus, H A, Op. Cit., p116

⁴⁷⁴ See www.threatfinance.org, 'Kuwait, Qatar Criticized as Terror Finance Hubs' 16 September 2011, accessed 14/10/2011

“The big question will always be the Palestinian issue, so long as it remains unresolved, AQ will be relevant, it will tap into that and find an audience for its anti-western propaganda and require funding and this is why the Gulf is such a key issue. In the end it still comes back to money and donors. There is still more we can do in the Gulf, but the difficulty here is lack of visibility around the [volume of] monies going to jihadi’s. I’m not sure anybody really knows. Things have improved but we are some way off. There is still a shed load of money going to the Taliban and Pakistan from the Gulf. Everybody knows it, but we are now taking a more diplomatic approach, there is a balance between not squeezing too hard, allowing the Saudi’s to do things at their own pace without it looking like its coming from Washington. It’s an improvement, definitely but we could be doing more here. So Gulf Donors is the big problem for us, but we also need to see how things develop across the region, the Arab Spring isn’t finished yet and there may be a few surprises.”

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Indeed, some estimates suggest that donors in Saudi Arabia and the United Arab Emirates have provided funding in the region of \$100m to extremist South Asian Madrassas.⁴⁷⁶ Not surprisingly, considerable diplomatic, and security efforts have been focused on targeting the Gulf in order to impact the flow of monies designated to these threats.

“We see the Gulf as an area of real strategic importance, we are looking to engage more here with our key partners in the Gulf, although this will take some time to get the right systems and the diplomatic measures up and running, this feeds into our role to target donors, facilitators and financial infrastructure and will continue to be an area where we focus attention over the next few years. The issue of Gulf Donors is difficult politically as such the focus here is more on using diplomatic channels to deliver results. We have excellent relations across the region, we simply have to respect the customs and traditions of the host states yet manage the issue in terms of ensuring that systems are in place to satisfy some of the most basic standards necessary to deal with criminal finance never mind TF. Our objective here is really about promoting strong regulatory and supervisory regimes across the region as a means of dealing with the funding chain. This is an area led by the FCO who can advise better on progress to date.”⁴⁷⁷

However, a diplomatic cable dated 30 December 2009 from the US Secretary of State, Hilary Clinton published by *Wikileaks* in November 2010 suggested that despite membership of the Egmont Group and being signatory's to the *United Nation’s’ International Convention for the Suppression of the Financing of Terrorism*. [21], Saudi Arabia remains a critical financial support base for Al Qaeda, the Taliban, LeT and other

⁴⁷⁵ Interview with CTF practitioner No.4

⁴⁷⁶ IPT News 23 May 2011 www.investigativeproject.org/2893/wikileaks-gulf-donors accessed 19 April 2012

⁴⁷⁷ Interview with CTF practitioner No.3

terrorist groups including Hamas.⁴⁷⁸ This explains why there is still continued emphasis by the UK in assisting with capacity building projects in the region. This complements US Treasury efforts which have seen the establishment of an Illicit Finance Task Force and the deployment of US practitioners in Riyadh and Kabul.⁴⁷⁹

“There has been more of a focus recently on the international side, engaging more with our international partners to disrupt money flows. Some of the Gulf States still turn a blind eye to extremist fundraising, the US are certainly focused on diplomatic efforts in the Gulf and we have been following this up as well. There are difficulties here, lets be realistic, some of the problems are cultural, but there’s a reluctance still in some States to implement the sort of arrangements we in the West see as a basic minimum [CTF] framework, if you are genuinely serious about dealing with TF. I think the Saudi’s and the UAE have made big improvements, but there is a lot more to be done as they are not moving as fast as we would like.”⁴⁸⁰

Aside from diplomatic efforts in the Gulf, evidence from interviews also advocated enhanced international engagement, judicial cooperation and capacity building within Europe and in particular, the harmonisation of CTF architecture across the European Union.⁴⁸¹

“We have been very strong working between and across agencies and Ministries in the UK. Where we are less strong, is in working internationally. Whilst FATF has created a framework for international engagement, the operational reality however is that we still have some way to go. When we are looking for international restraint or judicial co-operation at a basic level from our European partners or even wider from targets that travel abroad or who operate abroad, it is often exceptionally difficult to obtain that data. I accept that there are often operational difficulties in speaking about this material in the first place, but I honestly believe that this can be worked through, but even if it’s a Court Order to target funds, we often see the money moving on from that jurisdiction before law enforcement in the UK have had a chance to interdict. It’s not just about different values or mind-sets or even corruption, my gut feeling is that even with organisations such as Interpol or Europol, information sharing is still at a reasonably low level which is unfortunate for us in the UK as TF often has a huge international dimension. If you do not stop the money moving from a UK border, then we have problems.”⁴⁸²

⁴⁷⁸ Ehrenfeld, R., ‘Their Oil is Thicker than Our Blood’ ACD, 14 December 2011, published in ‘Saudi Arabia and Global Islamic Terror Networks, 10, pp123-151, Palgrave Macmillan, November 2011

⁴⁷⁹ CNN World, 6 December 2010

⁴⁸⁰ Interview with CTF practitioner No.2

⁴⁸¹ Interviewee’s 1,3&5

⁴⁸² Interview with CTF practitioner No.1

Greater use of financial profiling and modelling was championed to really understand the continuing evolution, mutations and developments around criminal and terrorist financing.⁴⁸³ There were still perceived shortcomings in terms of full access to financial and tax data which is considered vital for intelligence development and target profiles.

*“There is still a problem getting full access to tax information in particular. If we had access to this data, to investments, shares, relationships to financial advisors and accountants, real estate etc. in one hit, then this would be hugely beneficial, however, as things stand, this is almost prohibited. It’s difficult and limited because of the policies, procedures and portals, the way institutions develop, this is not a criticism of HMRC necessarily, but this sort of data from an intelligence perspective, would make a key difference to law enforcement and CT practitioners. If you look at the new TF tracking programme in The Hague, that’s an open programme, there are transparent procedures, if they meet the threshold, requests are actioned, otherwise they are rejected. So it’s not the Orwellian society that some suggest. Whatever the progress, there are still huge obstacles in place in terms of accessing financial data.”*⁴⁸⁴

Finally, it was acknowledged that whilst CTF interventions should be policy led, a strong consensus nonetheless existed between policy officials and CT practitioners in terms of agreed future priorities.⁴⁸⁵

“Look the officials always have the loudest voice and that’s probably right. I’m not sure it’s about agreeing on everything anyway. It’s about understanding each other’s positions and looking for workable solutions. There will always be different degrees of emphasis, that’s the way it’s always been. It’s natural that different perspectives emerge when you start off from a different base. In the end though it’s about getting the big things right and I am reasonably confident that we have generally got the big things right. TF is about context, so different solutions are required depending on the threat. It’s about mitigating risk, so you need to choose the right tools for the right threat. The officials are right to look at the bigger strategic picture, whereas police should focus on the tactical options, consider the threat and look for ways of dealing with that both pre and post incident, I mean in terms of prevention and intelligence development and also in terms of prosecution. If you look at Insurgent financing, the officials have a key role to play, we need the engagement of the FCO, we need the diplomatic efforts in the Gulf, we need the training work around regulation and compliance. Officials are naturally more inclined to look for neatly packaged frameworks with milestones and the like, but this is what is required, ministers love this stuff. So they will do their vision scanning and try to identify some of the newly emerging threats and help us to maximise our impact through legislation,

⁴⁸³ Ibid

⁴⁸⁴ Ibid

⁴⁸⁵ Interviewee's 1,2, & 5

education and funding.”⁴⁸⁶

*“We’re very much aware of our role to facilitate and support and to leave the operational decisions to the experts. So whilst we take the lead in terms of framing policy, the strategy is informed by the intelligence and the input from police. So in terms of agreed priorities around future challenges, I’m happy that we have the right structures and strategy. We have strong collaborative arrangements between officials and practitioners, we are fortunate to have this level of consensus, though the structures clearly support and encourage this.”*⁴⁸⁷

Summary

The results from the interview sessions acknowledged several key assumptions and orthodoxies and highlighted further new areas and emerging themes that warrant further consideration. These will be examined in greater detail in Chapter Five. On the whole however, the continued use of CTF interventions to degrade terrorist group capability was acknowledged, although this was caveated with concerns regarding the value of CTF long term to deliver results, given the trend towards more frugal financing by attack cells in recent years. A reaffirmation of Cicero's assertion that money is central to waging war and that finance was the enduring 'oxygen of terror', was thus challenged given recent changes in terrorist group structure and resourcing. Whilst recognising that finance remained a “key enabler to capability”, it was suggested that those CTF interventions that focused overwhelmingly on curbing funding streams specifically, would at best merely delay and frustrate terror attacks rather than eliminate these entirely.

As regards current UK ‘*Structures Policy and Strategy*’, CTF was seen as a cross cutting tool bringing tri-ministerial endorsement across the portfolio. This in turn enhanced the accountability, status and significance attached to these interventions. Whilst the UK Counter Terrorist Finance Strategy and the Terrorist Finance Delivery Plan were generally considered effective in addressing domestic and international threats around the generation and movement of funds, greater targeting of facilitation networks was also encouraged. Similarly, concerns were raised that the current Strategy suffered from intelligence gaps on radicalised UK nationals in particular. As a result, it was suggested that greater emphasis

⁴⁸⁶ Interview with CTF practitioner No.2

⁴⁸⁷ Interview with CTFpractitioner No.5

should be given to objectives that focused on low level and micro financing methodologies, given the recent shift in the funding template. Those interviewed, also affirmed the extent to which UK CTF Strategy has been influenced by US public policy on the subject. It was acknowledged however, that this might simply be consistent with the UK's wider advocacy of multilateralism and international engagement on counter terrorism generally to deliver effect. Finally on the issue of whether future CTF Strategy might also include counter radicalisation objectives, there was almost universal agreement that CTF should maintain its primary focus on degrading attack planning and targeting organisational infrastructure and that counter-radicalisation should be addressed as a social intervention through community projects under the PREVENT strand of 'CONTEST'.

In terms of '*Operational Effectiveness*', it was established that CTF as a specific discipline remained a viable and credible asset that could be applied both domestically and internationally. Moreover the results from interview confirmed the value of finance interventions to deliver operational impact despite recent changes in the financial economy of terror. Whilst recognising that increasing financial self sufficiency and low levels of funding were more difficult to target, greater opportunities had emerged for post blast 'follow the money' intelligence dividends, given the difficulties in identifying patterns and trends during the conspiracy phase.

Indeed, arguably the most significant theme emerging from the research was an almost universal acknowledgement of the emergence of financial intelligence (FININT) as a key '*CTF Asset*'. Rather than attacking the financing and procurement activities of terrorist groups using the financial provisions contained within statutory instruments,⁴⁸⁸ the increasing use and utility of financial intelligence as a fundamental aspect of counter terrorism practise generally was strongly endorsed. FININT thus emerged as an important intelligence asset and hugely powerful investigative tool, particularly when used in conjunction with other intelligence assets and reporting. However, the interview sessions also acknowledged the likely challenges that may ensue, given the intrusive nature of this material and the public's concern regarding erosions to personal liberty. As a result, the sensitive handling of financial data was considered essential in maintaining and developing

⁴⁸⁸ The Terrorism Act 2000 and the Proceeds of Crime Act 2002

relationships with financial institutions. Whilst these Public/Private Partnerships were deemed crucial to combat the terrorist threat, there was no endorsement that the institutions had assumed “*proxy sovereign status*” on behalf of the state. Moreover, their commitment to the SARs regime was acknowledged as a central pillar in creating a hostile environment for financial crime generally.

Finally, as regards “*Future Challenges and Vulnerabilities*” the emergence of home-grown attack cells with increasingly discreet financial footprints was overwhelmingly identified as the area of most concern with Gulf Donors and UK funding to extremist Madrassas in Pakistan acknowledged as the main international challenges. Indeed, greater visibility was sought regarding donations from the UK generally to fund extremism overseas, together with new initiatives aimed at curbing the abuse of charitable giving. The dedicated and enhanced targeting of remittance systems, whether Money Service Businesses, Hawala or Cash Couriers was considered an operational priority. Resolution and progress in addressing these challenges and vulnerabilities was advocated through a series of measures. These included enhanced judicial cooperation and capacity building, even greater access to financial and tax data and more emphasis on terrorist financing typology and modelling, to shape and inform both public policy and operational strategy.

CHAPTER FIVE

Key Themes from Empirical Research

CTF is a collective suite of measures comprising various actors and elements which have the capacity to impact the resourcing of terrorist groups or cells. This thesis has focused on the multifaceted, multilateral and multidisciplinary nature of CTF and the shifting operational elevation of individual elements, depending on the threat. It documents the evolution and flexibility of CTF to respond to changes in the operational environment and evaluates these measures in the broadest terms by considering the dominant narratives that have shaped current policy, strategy and current UK CTF architecture. It further challenges the centrality of money in the terrorism equation and the visceral defaulting to finance interventions to combat new international and domestic terror threats. This thesis also considers the continued relevance of CTF to respond to recent changes in the financial dynamics of terrorist organisations and particularly the shift from highly integrated transnational entities to decentralised loosely networked cells.

This chapter therefore reflects on the key themes that have been distilled from the interview sessions with CTF policy officials and practitioners. It is the discourse around these themes and ideas that contributes to our understanding of the current UK approach to combating the financing of terrorism. These themes can be summarised as follows:

- The emergence of financially discreet home-grown cells in the UK.
- Greater focus on combating micro financing methodologies in future CTF Strategy to reflect acknowledged changes in the 'economy of terror'.
- Embracing 'whole of government' approaches to CTF and specifically emerging military perspectives on 'threat' finance interventions.
- Reviewing existing UK corporate knowledge from previous CTF methodologies for combating Irish terrorist financing and their relevance in combating new domestic and international threats.
- The emergence of financial intelligence (FININT) as a core element of future CTF practice and the anticipated challenge of future enhanced regulation

governing its collection and use.

This chapter addresses each of these five themes in turn and begins by highlighting the unique challenges posed for CTF practitioners by home-grown attack cells and contemplates a scenario where operational impact from CTF may in the future be increasingly confined to financial intelligence dividends derived from post incident evaluations, rather than tactical interventions at the conspiracy phase. Indeed, this thesis contemplates what measures might be deployed in the future by CTF practitioners to close down the operational space for home-grown extremists through the evaluation of four major terrorist finance investigations in the UK.⁴⁸⁹ The analysis of the funding methodologies employed by attack cells in each of these cases further informs the second key theme from the empirical research; the implications of changes in the economy of terror and the trend towards 'low cost terrorism' and the primacy of financial independence and the prospect of 'non criminal' or even legitimate funding.

In this chapter we will consider the continued operational utility of CTF to combat autonomous self-financing terror cells and changes in the economy of terror as a result of new 'discreet' sources of finance. In view of these developments, it stresses the need for new measures that require to be employed to combat the increasing use of micro financing methodologies by these cells. These include more 'joined up' initiatives across government and the regulated sector that target low level frauds and outreach programmes with private industry partners that focus on the abuse of financial products to fund terror. It thus advocates a combination of strategic 'macro' interventions to address the international threat, allied with the increasing use of criminal justice interventions targeting 'micro financing methodologies' to shape future CTF strategy and combat the threat from domestic attack cells. This thesis also urges greater consideration of military perspectives on 'threat' finance interventions, particularly the transferability of US Threat Finance Cell methodologies to inform the future approach to CTF in the UK, including greater use of quantitative analytical tools for intelligence analysis. In addition, this chapter will address a further key theme highlighted repeatedly during the empirical phase of the research, namely

⁴⁸⁹ This refers to Operation Crevice, a conspiracy to attack several locations in the UK in 2004, Operation Theseus; the 7/7 London Bombings in 2005, Operation Overt; the London Transatlantic Airline plot in 2006 and Operation Seagram; the Glasgow Airport Attack in June 2007.

the extent to which current domestic jihadist threats might be considered against the operational practices and modus operandi developed previously to combat the financing of Irish terrorist groups.

Most significantly however, this chapter discusses the increasingly limited operational terrain for CTF practitioners and the reliance on financial intelligence as a key asset and predicts the future primacy and significance of FININT as a core asset to impact counter terrorism generally. Finally, given that FININT has evolved in recent years from developments in data surveillance and digital technology, questions are now emerging regarding the utility of financial surveillance as a means to counter terrorism and whether such measures can influence counter terrorist operations across different phases of the investigative spectrum. It is the extension of financial intelligence collection by law enforcement and intelligence agencies however, that has resulted in unintended consequences for the individual and their relationship with the state. This thesis addresses these issues and considers the operational value of FININT generally, whilst acknowledging the underlying challenges in reconciling liberty and security as a consequence of more intrusive data harvesting and financial surveillance.

Theme 1 - The Threat from Financially Discreet Home-Grown Cells in the UK

Prior to the 7/7 London bombings, the template for Islamist terrorism was conceived in terms of the 9/11 attacks. As such, the principal threat was foreign, with strong organisational and operational links to a host domiciled overseas. From a UK perspective, however, the events of 7/7 saw a shift in threat conception. In short, the terrorist threat changed from external to domestic and in the context of terrorist financing, from 'donor recipient' to one exhibiting greater independence and autonomy. Shortly afterwards, this was conceptualised as “homegrown terrorism”⁴⁹⁰ and highlights the transformational nature of terrorism and a shift once again towards a 'newer' manifestation of this phenomenon.

Crone and Harrow point to a steady increase in both domestic and autonomous terrorism since 2003. Though concluding that most plots were internal but not autonomous, the

⁴⁹⁰ Crone M., & Harrow, M., ‘*Homegrown Terrorism in the West*’, Terrorism and Political Violence, (23) 2011, p521

home-grown concept quickly gathered momentum and was applied regularly by academics, journalists, officials and practitioners. To address this seemingly new threat phenomenon, they sought to dissect the concept of home-grown terrorism, drawing a distinction between two dimensions: “*belonging*” and “*autonomy*”, to create four main types of terrorism manifest in the West.⁴⁹¹ Crucially they suggest that autonomous terrorism is a transitory phenomenon, and whilst for the foreseeable future, terrorism in the West is likely to remain internal, it is anticipated that it will be increasingly affiliated in the future. Thus CTF interventions should be sufficiently dynamic and applied as necessary from a suite of options depending on the threat. Whilst acknowledging the wider definitional and analytical debate, this chapter will consider the concept of the home-grown phenomenon in the widest sense to determine the validity of these conclusions and the implications for officials and practitioners in delivering appropriate CTF responses long term.

In the aftermath of the 7/7 attacks, a new breed of home-grown terrorists emerged that were largely self-recruited, self-radicalised and crucially self-financing.⁴⁹² In the context of this thesis, it is financial autonomy which is clearly of most interest. Aside from developing a greater understanding of the circumstances which give rise to group formation, it is the extent to which these groups have been resourced independently which is of most concern. The terrorist attacks in Madrid, London and Glasgow in particular and the further attempts in Milan, Copenhagen and Stockholm⁴⁹³ have highlighted the nature of the threat facing Western governments today, with affiliates and home-grown groups now emerging as the key protagonists. Keeping pace with the fluid and dynamic nature of how terror cells fund themselves is one of the main challenges for police and security services. This chapter therefore examines a number of recent terrorist incidents in the UK and the modest levels of finance now required to fund these operations. It also advocates the need for new discourses to address the potential challenges which non criminal and micro financing methodologies pose to fund these entities and the wider implications of financial autonomy exercised by these groups.

⁴⁹¹ Crone M., & Harrow, M. Op. Cit., p522 which identified the 4 types of terrorism as 'Internal Autonomous', 'Internal Affiliated', 'External Affiliated' and 'External Autonomous'.

⁴⁹² Nesser, P., ‘*How Did Europe’s Global Jihadi’s Obtain Training for Their Militant Causes?*’ Terrorism and Political Violence, 2008:20 p234-256

⁴⁹³ Three unsuccessful European attacks took place on the following dates; Milan, 12 October 2009 at Santa Barbara Military Base. Copenhagen, 29 December 2010 and Stockholm on 12 December 2010.

This chapter also considers what measures might be invoked by CTF practitioners to address the shift towards low level acquisitive crime, debt defaulting and even state welfare abuse as potential future funding platforms for such groups. As such it discusses the choices available to CTF practitioners and whether current strategy reflects the right balance of macro and micro CTF options to combat the threat from both autonomous and affiliated groups. It acknowledges that the trend towards legitimate financial independence may ultimately prevent the opportunity for effective CTF interventions at the conspiracy phase. Finally and perhaps more disturbingly, it contemplates a scenario where operational impact from CTF may in the future be increasingly confined to financial intelligence dividends derived from post incident evaluations, rather than proactive tactical interventions to disrupt attacks.

Post 9/11, the overwhelming threat narrative emphasised Al-Qaeda's promulgation of a centralised global terrorist strategy. It is primarily the dominance and simplicity of this narrative that accounts for the public policy response on CTF, with its emphasis on macro interventions such as asset freezing and sanctions. However, Croft & Moore⁴⁹⁴ argue that this commitment to a single threat narrative fails to adequately explain the spectrum of terrorist attacks directed against the West. As such they advocate several distinct though overlapping notions of these threats, focusing on the nature of Al Qaeda and migrating from conventional perspectives of hierarchy to radicalised home-grown groups. It is precisely this recognition that new manifestations of terrorism have evolved that may require new counter measures, that shapes the central argument of this thesis.

Recent years have seen a shift in the nature of the terrorist threat with affiliates emerging as the key protagonists. Developing Crone & Harrow's suggestion that terrorism is likely to be increasingly affiliated in the future and determining the continuing influence of Al Qaeda to support the preparation and planning of attacks by home-grown groups, is therefore of great significance to CTF practitioners. Indeed recent terrorist trials in the UK have highlighted the variety of domestic threats which the authorities now face, with key distinctions emerging between groups established through direct physical contact and those

⁴⁹⁴ Croft S. & Moore, C., ' *The Evolution of Threat Narratives in the Age of Terror: Understanding Terrorist Threats in Britain* ', International Affairs, Vol. 86 No 4 July 2010 p821-835

spawned from virtual and web based interactions.⁴⁹⁵ It is however with regard to a further category, those groups which form independently of external direction and sanction and specifically those which require no external financial support that most concerns CTF practitioners. The Glasgow bombing of 30th June 2007 is the most obvious example of this development and highlights the limitations of CTF interventions at the conspiracy phase.

As indicated previously in this thesis, counter terrorist financing templates typically comprise three distinct yet related pillars.⁴⁹⁶ They generally involve what this author designates as 'macro' interventions, formal government programmes such as asset freezing, sanctions and compliance regimes affected in the UK and Europe under the Third EU ML Directive 2007.⁴⁹⁷ This pillar is supplemented further by FININT interventions and specifically financial data mining as a tool for pre-emptive security action, network analysis, targeting money flows and surveillance.⁴⁹⁸ Finally law enforcement interventions complete the final component of the CTF template. These typically include criminal justice interventions and target the exploitation of criminal commodities used to fund terrorist groups and also focus on charities abuse, minor financial crime, revenue offences and welfare fraud.⁴⁹⁹ It is precisely the low- maintenance requirements of these cells that mark new developments in terrorist financing. Indeed the United Kingdom was considered uniquely prepared for the challenge of an Islamic terrorist attack, having established integrated intelligence architecture, whilst simultaneously pursuing a comprehensive counterterrorism strategy that hinged on making British society resilient and in minimising the risks of terrorism.⁵⁰⁰

Given that recent terror attacks have been characterised by relatively small scale funding requirements, the key question emerging is the extent to which money remains critical to terrorist group capability. What emphasis should law enforcement attach to the generation,

⁴⁹⁵ Strategic Comments, 'The Evolving Terrorist Threat: UK Trials Reveal New Types of Networks', Vol 15, Issue 1 March 2009

⁴⁹⁶ See p11 of this thesis regarding Buckley P. D. & Meese M. J. 'The Financial Front in the Global war on Terrorism', 2004, West Point, New York, www.au.af.mil accessed 5 November 2012

⁴⁹⁷ EU Third Money Laundering Directive required member states to align the EEA regulatory regime on money laundering and terrorist financing with the FATF recommendations and implement the Directive by 15 December 2007.

⁴⁹⁸ Parker M. & Taylor, M., 'Financial Intelligence: A Price Worth Paying' Studies in Conflict & Terrorism, Vol 33, 2010

⁴⁹⁹ www.octf.gov.uk/ See Archive publications and Select Committee on Northern Ireland Affairs Forth Report, 'The Financing of Terrorism in Northern Ireland' www.publications.parliament.uk accessed 5 November 2012

⁵⁰⁰ Ranstorp, M. 'The London Bombings and the Broader Strategic Context', Real Instituto Elcano, 20/7/2005

laundering, movement and storage of funds to support terrorist groups? Should the focus on home-grown groups be the dominant operational objective or should we contemplate a further resurgence in Al Qaeda Core and thus target both “corporate” terrorism and autonomous attack cells with equal vigour?⁵⁰¹ Whatever the response, it is clear that CTF strategy must respond to the polymorphic threat of Al Qaeda and home-grown jihadists and demonstrate an ability to mutate and transform if it is to remain an effective intervention option in the wider quest to counter terrorism. CTF operational strategy must acknowledge changes in the economy of terror and focus increasingly on the new ways of combating the financing terrorism.

Whilst much has been written about the home-grown threat in recent years, this chapter does not intend to proffer explanations for its emergence. It is however important to highlight the key characteristics of this phenomenon to provide context for addressing the CTF challenges which these groups now pose. The most obvious manifestations of the home-grown threat naturally focus on the attacks in London on the 7th and 21st July 2005. However, precedents were set in December 2001 when Richard Reid attempted to ignite triacetone triperoxide (TATP) on American Airlines Flight 63 from Paris to Miami.⁵⁰² This was followed in January 2003 by the “Ricin Plot” which was uncovered in Wood Green London and several months later by the events in Israel when two British nationals, Asif Muhammad Hanif and Omar Khan Sharif were responsible for a bomb attack in Tel Aviv in which 3 people were killed and over fifty injured.⁵⁰³ The cases of Omar Altimimi, Abdul Rahman and Rangzeib Ahmed provide further evidence of momentum from home-grown subjects or groups.⁵⁰⁴ It is however, the events of July 2005, the London Airline bombing plots in 2006 and the Glasgow Airport attack in June 2007 in particular, to which most attention has focused.

The narrative that emerged from each of these incidents focused on autonomous disaffected, Al Qaeda inspired, home-grown self-radicalised groups. This gathered momentum as Al Qaeda was assessed to lack operational bite, constrained by the success of Western military endeavours. As indicated previously in Chapter 3, Hoffman questions this

⁵⁰¹ Leiter, M. ‘*Looming Challenges in the War on Terror*’ 13 February 2008, www.washingtoninstitute.org

⁵⁰² Clarke M., & Soria V. Op. Cit.

⁵⁰³ ‘*Details of April 30, 2003 Tel Aviv Suicide Bombings*’, www.mfa.gov.il

⁵⁰⁴ See Leiter M. Op. Cit.

assessment and cautions against Al Qaeda's evisceration operationally and suggests that these events serve to illustrate its capacity to inspire, reform and endure.⁵⁰⁵ He specifically points to the extent to which some of those behind the 7/7 attacks had visited Pakistan between 2004 and 2005 and suggests contact with radicals and extremists in both Pakistan and the UK in the weeks preceding the attack. For Hoffman, therefore, Al Qaeda's influence and involvement is clear, citing further compelling evidence in the martyrdom videos of Mohammed Siddique Khan and Shazad Tanweer recorded during their time in Pakistan and produced in accordance with the AQ media template.⁵⁰⁶

Hoffman draws further parallels from the 2006 Airline Bombings Plot and from the subsequent trial in 2008, which clearly hinted at AQ involvement, as some of the conspirators, most notably Abdullah Ahmed Ali and Assad Ali Sarwar were traced as having travelled to Pakistan. Further financial contacts between Mohammed Gulzar and Mohammed al-Ghabra served to reinforce this assessment. Moreover, in December 2006, the U.S Treasury's Office of Foreign Assets Control (OFAC), noted Al-Ghabra as having consorted with the Al Qaeda leadership, and providing logistical and financial support to Al Qaeda and other jihadist groups in Pakistan.⁵⁰⁷ For Hoffman, both these incidents clearly confirm a “connecting thread directly linking Pakistan to Britain and [to] Al Qaeda.” Thus rather than the product of self-radicalised, independent terror cells, the events of July 2005 and August 2006 might instead be considered as Al Qaeda sanctioned operations. Whilst the post 9/11 environment saw a diminution in the capacity of Al Qaeda to operate freely and unfettered, following a resurgence, it sought to expand its reach through partnerships primarily in the Middle East and North Africa in the quest for a wider global insurgency.

For Kirby,⁵⁰⁸ of all the post 9/11 radical Islamist threats, it is the emergence of the 'self starter' cells that is of most interest. Indeed, he sees this as a unique and distinct phenomenon and whilst autonomous groups have an affinity with the Al Qaeda network, it is the lack of institutionalised training or recruitment which is most distinctive. As such, he

⁵⁰⁵ Hoffman, B., 'Radicalization and Subversion: Al Qaeda and the 7 July Bombings and the 2006 Airline Bombing Plot' Studies in Conflict & Terrorism, Vol 32, Issue 12, December 2009

⁵⁰⁶ Ibid, p4

⁵⁰⁷ Hoffman, B., 'Treasury Designates Individual Supporting Al Qaida, Other Terrorist Organizations', p8, States News Service, 2006

⁵⁰⁸ Kirby A., 'The London Bombers as Self- Starters: A Case Study in Indigenous Radicalization and the Emergence of Autonomous Cliques', Studies in Conflict and Terrorism 30(5) 2007 p415-28

suggests that conventional conceptions of networks are ill suited to analyse and understand groups of this nature. He is critical of the implicit reliance on organisational theory based models used to investigate these threats and advocates a more sophisticated and nuanced approach which acknowledges the dynamic and unique characteristics of 'self starter' cells.⁵⁰⁹ He suggests that this phenomenon should be interpreted as a development that reaches a new threshold within a pre-existing environment, rather than a break with previous patterns. Whilst this echoes previous analyses on the transformational nature of terrorism⁵¹⁰ it is the level of autonomy which provides the crucial distinction. It is the extent to which operational autonomy includes a migration to financial autonomy which is of most interest in the context of this thesis.

Despite considerable experience in dealing with domestic terrorist threats, it is clear that the UK significantly underestimated the likelihood of indigenous jihadist suicide attacks in 2005.⁵¹¹ This merely serves to highlight the shifting nature of the threat and the challenges posed to national security and public safety from disaffected UK citizens. Irrespective of whether recent events in the UK fit the Kirby template⁵¹² or point to some element of Al Qaeda sanction and control, they have considerable implications for counter terrorist finance strategy, particularly in the weight accorded to Al Qaeda's current influence, direction and control of home-grown groups and the range of measures employed to target sources of finance and ultimately finance terror. It should be noted however, that prior to the events of July 2005 and in response to the developing threat from home-grown groups, the Joint Terrorism Analysis Centre (JTAC)⁵¹³ had already established a three-tier model to prioritise investigations. Tier 1 comprised those individuals or networks thought to have direct links to Al Qaeda. Tier 2 addressed those individuals or networks loosely affiliated with Al Qaeda whilst Tier 3 focused on those simply inspired by Al Qaeda ideology.⁵¹⁴ It is in this context, that of 'franchising' jihad, that is arguably of most interest to CTF practitioners. As a result, this model must inevitably inform future CTF interventions. Insofar as the financing of jihad operations is concerned, three possible scenarios should be

⁵⁰⁹ Ibid, p419

⁵¹⁰ Crenshaw, M., "New v Old Terrorism: a Critical Appraisal." *Jihadi Terrorism and the Radicalisation Challenge in Europe*, (Edt) Rik Coolsaet, Ashgate, 2008 and Neumann, P., 'Old & New Terrorism' Polity Books, 2009

⁵¹¹ Director General Security Service, Intelligence and Security Committee, 'Report into the London Terrorist Attacks on 7 July 2005,' p28

⁵¹² Kirby A., Op. Cit, p415-28

⁵¹³ JTAC is the UK's centre for the analysis and assessment of international terrorism. www.mi5.gov.uk

⁵¹⁴ Irons L. R., 'Recent Patterns of Terror Prevention in the UK', p14, Homeland Security Affairs Vol: IV, No1, 2008

considered to frame/explain UK CTF efforts.

1. Central sanction and direction from Al Qaeda Core, with logistical and funding support.
2. Central sanction and direction from Al Qaeda Core but with little or no logistical or funding support.
3. No operational direction from Al Qaeda Core, with no logistical or funding support.

Not surprisingly most operational attention in recent years has focused on scenarios 2 and 3. That being the case, one might expect that UK CTF Strategy should focus increasingly on the micro financing of terrorism and be informed by the shift towards autonomy and operational independence and those new financing methodologies, which have characterised recent terror, attacks in the UK.

The Challenge of Financial Autonomy

This shift towards operational independence and financial autonomy is clearly one of the most significant developments to have emerged in recent years. Moreover, the scale of monies now required for attack planning is so modest that CTF investigations can no longer rely on financial indicators to identify such plots without specific intelligence or further grounds for suspicion. In response to these developments and perceptions, the National Terrorist Finance Investigation Unit (NTFIU), based within the Counter Terrorism Command of the Metropolitan Police Service, was commissioned to undertake formal reviews of those major attacks or attempted attacks in the UK since 2004.⁵¹⁵ The primary objective was to inform senior police management of the financial activities of the main suspects in each of these incidents and crucially to “*explore any trends that have emerged from the investigations and to identify any weaknesses in the current UK CTF structure and strategy.*”⁵¹⁶ As such, the financial profile of each of these attacks will be examined briefly to determine the key sources of finance employed by each cell and whether new

⁵¹⁵ Fieldwork discussions regarding Internal Metropolitan Police Service Report, ‘*Financial Intelligence Assessment – Major Counterterrorist Investigations since 2004*’, NTFIU, 28 October 2009

⁵¹⁶ Ibid, para 1.1

methodologies emerge in response to recent structural developments and perceived changes in *modus operandi*. Indeed, it should be noted that counter terrorist financial investigators routinely review such incidents to elicit behaviours or *modus operandi* that might suggest the origins of a terrorist conspiracy and to identify key indicators for post incident exploitation. Such data can in turn be fed back to partners in the financial sector from which intervention or disruption activities can be considered.

Typically post incident reviews include comprehensive transaction analysis focusing on deposits, withdrawals, transfers and cash movements that might be identified as indicative of terrorist planning and financing. These reviews seek to determine the costs associated with all aspects of an attack. They typically focus on the identification and selection of participants, subsequent radicalisation, training and reconnaissance. These reviews also consider the conspiracy and planning relating to the attack itself and any logistics required to support escape and relocation.⁵¹⁷ Whilst the financial profile of each of these attack cells will be examined briefly, the dominant theme emerging from these analyses is a confirmation of the nominal funding now required by home-grown cells and an endorsement of the shift towards greater financial autonomy and independence. Whilst no external financial support was identified in any of the investigations reviewed, this does not preclude the possibility of diaspora benefactors, however, the ensuing forensic evaluations failed to identify a need for such funding.⁵¹⁸

Operation Crevice 2004

Operation Crevice resulted in the successful convictions of Omar Khyam, Jawad Akbar, Salhunddin Amin, Waheed Mahmood and Anthony Garcia in April 2007 on terrorism charges. The operation focused on the conspiracy by seven British citizens to attack various locations in the UK in 2004, including the Bluewater Shopping Centre in Kent and the Ministry of Sound nightclub in London using explosives manufactured from 600kg of ammonium nitrate.⁵¹⁹ Despite operational links to Pakistan,⁵²⁰ the Crevice cell was deemed

⁵¹⁷ Fieldwork interviews and analysis based on the content of Internal Metropolitan Police Service Report , '*Financial Intelligence Assessment – Major Counterterrorist Investigations since 2004*', NTFIU, 28 October 2009

⁵¹⁸ Ibid

⁵¹⁹ RUSI 'Operation Crevice Trial Ends', www.rusi.org, accessed 28/01/2011

⁵²⁰ DAC Peter Clarke, Operation Crevice, MPS Statement, www.met.police.uk, accessed 28/1/2011

to be financially independent. Indeed, cell members who obtained monies secured through personal loans and credit cards that were later subject to default funded the entire operation. Cash was subsequently drawn down from these loans to fund operational expenditure.⁵²¹ Furthermore the *modus operandi* of this group included the use of multiple addresses, a tactic which further served to frustrate the efforts of debt collection agencies to recoup funds. Crucially, this action also delayed credit status evaluations and in all likelihood prolonged the fraud, although it is difficult to establish whether this was a deliberate tactical ploy. The group thus opted for a self-financing model, with core funding generated through a combination of income from employment and by means of defaulting on lines of credit, principally on accounts set up with Builders Merchants. These monies were in turn used to cover operational expenses incurred for the conspiracy and attack phases. This included accommodation, travel and rental costs for the storage facility to house the fertiliser and other sundries such as clothing and equipment.⁵²²

Operation Theseus 2005

An analysis of the NTFIU Report⁵²³ confirms that financial independence was again the chosen *modus operandi* employed by Khan, Tanweer, Hussain and Lindsay, the subjects behind the 7/7 London bombings. The various media accounts of these attacks however, provide an insight into the hypotheses that framed the investigation. Several assumptions were apparent, not least the notion that the bombers relied on extensive external support networks to provide money, shelter, munitions and training. For Kirby the prevailing discourse at this time highlights the mindset of the police and intelligence services as they contemplated an attack, later acknowledged as conceived, planned, financed and executed by British nationals. Yet the default position for investigators at the outset, was that these attacks had a foreign dimension and that establishing this support network and the key financial donors were critical operational priorities. The press in turn focused heavily on this element of the investigation.⁵²⁴ However, the “*Report of the Official Account of the*

⁵²¹ Interviews and analysis based on the content of Internal Metropolitan Police Service Report, ‘*Financial Intelligence Assessment – Major Counterterrorist Investigations since 2004*’, NTFIU, 28 October 2009

⁵²² Ibid

⁵²³ ‘*Review of the Cost of Mounting the Terrorist attack of 7 July 2005*’, Internal NTFIU document, 8 February 2006

⁵²⁴ See ‘*The Attacks on London: Part Two*’ The Independent on Sunday, 31/7/05 and ‘*New Clues Support al-Qaeda Theory for London Bombing*’ The Times (London) 30/1/06 qtd in Kirby Op. Cit.

Bombings in London on 7th July 2005”⁵²⁵ offered no evidence that either Khan or Tanweer had received formal training or met Al Qaeda operatives whilst in Afghanistan and Pakistan.⁵²⁶ Moreover, it concluded that the planning was “*deceptively simple*” and that the operation “*did not cost much and was financed by methods that would arouse little suspicion*”.⁵²⁷ Over time, it became apparent that the London bombers had acted autonomously, both operationally and financially.

Financial investigators attached to Operation Theseus, had sought to establish whether assessed operational links to Pakistan also extended to primary financial resourcing and other material support. They concluded however, that expenditure incurred for travel, training, accommodation and supplementary expenses did not reveal donor support.⁵²⁸ Again, parallels can be drawn from the funding template used by those involved in Operation Crevice, with trading accounts established at Builder’s Merchants, from which materials were subsequently purchased and resold for profit. Like the Crevice cell, the outstanding debt on the trade credit facility was never repaid. The forensic examination of the finances of each of the four principals failed to indicate use of personal bank accounts to fund their activities.⁵²⁹ The main funding stream appears to have been monies obtained by Mohammed Siddique Khan from an HSBC loan of £10,000 in March 2004, subsequently withdrawn in cash thereafter. A further £4,000 was secured from credit cards. Furthermore, during the conspiracy phase, Khan defaulted on the HSBC loan and other lines of credit. This *modus operandi* therefore limits the accuracy of any subsequent forensic attribution of monies. Significantly, there was no engagement in criminal activity to fund the events of 7 July 2005. Finance was generated by loans obtained legitimately, albeit never repaid.⁵³⁰ Clearly one cannot discount the sharing of finance methodology amongst home-grown groups, given that the ‘Crevice’ surveillance operation had previously identified contact between Omar Khyam, Khan and Tanweer.⁵³¹

⁵²⁵ ‘*Report of the Official Account of the Bombings in London on 7th July 2005*’, The Stationary Office Limited, May 2006

⁵²⁶ Ibid, see para 48 of above Report.

⁵²⁷ Ibid p75

⁵²⁸ Interviews and analysis based on the content of Internal Metropolitan Police Service Report ‘*Review of the Cost of Mounting the Terrorist attack of 7 July 2005*’, 8 February 2006

⁵²⁹ Ibid

⁵³⁰ Interview with D/Sgt SO15, Metropolitan Police Service, May 2011 based on analysis of NTFIU Report 2009

⁵³¹ Ibid

Crucially however, as an indication of emerging changes in the economy of terror, the financial costs incurred by the four bombers, was assessed at £7,240.00. However, this could be reduced even further to circa £4,000, if costs associated with international travel in March 2003 and November 2004 are deemed superfluous to the attack.⁵³² The police investigation did not identify additional sponsors or domestic financiers, but instead concluded that under the strong leadership of Khan, the group was able to independently finance its own activities by defaulting on personal loans.⁵³³ This again underscores the preference for an autonomous funding template, as home-grown groups had again sought to finance their activities independently, without engaging in acquisitive crime. Unfortunately for CTF practitioners, financial independence is a poor indicator of a potential terrorist plot. Indeed, only when mapped over other intelligence might such behaviour indicate the origins of a terrorist conspiracy.

Operation Overt 2006

Operation Overt successfully disrupted the plot by British nationals to detonate liquid explosives on several flights departing from the UK in 2006 and resulted in the subsequent conviction on terrorism charges of Abdulla Ahmed Ali, Assad Sarwar and Tanvir Hussain. Whilst during the trial of the conspirators in 2008, the scale and sophistication of the planned attack may have hinted at Al Qaeda support, the NTFIU investigation pointed again to financial independence by those involved. Indeed a review of the financial activities of the conspirators confirmed that cash was the principal means used for the purchase of commodities to facilitate the plot, thus depriving investigators of key financial transaction data and frustrating further efforts by investigators to attribute specific purchases to particular individuals. Numerous cash receipts were uncovered for various items used to facilitate the conspiracy phase, including clothing, equipment and general supplies. Subsequent analyses of bank accounts confirmed periods of financial inactivity that correlated with assessed periods of absence in which known overseas travel had taken place.⁵³⁴ However, the requirement to initiate an early arrest operation of the main 'Overt' suspects prevented a more accurate overview of the funding process, particularly regarding

⁵³² Ibid

⁵³³ Ibid

⁵³⁴ Ibid

the proportion of funds designated specifically for attack planning.⁵³⁵

What is unique about this case however is that several of the conspirators had successfully applied for Career Development Loans (CDL's). These were in turn paid into their personal bank accounts. The dissemination of this *modus operandi*; the use of legitimate financial products to acquire personal finance, appears to have been shared across the network as a source of easily accessible 'non criminal' funding. Whilst early law enforcement intervention precluded any definitive conclusion, the similarities with Operation Crevice cannot be ignored, as legitimate sources of supplementary funding had again been secured through personal loan agreements.

As regards the collective investigative outcomes from the analysis of the Operations cited above, it is clear that each attack cell exploited the opportunities afforded by the retail banking system by targeting legitimate financial products to access funds. During both the conspiracy and attack phases, no attempts were made to establish bogus bank accounts, with account opening documentation furnished under genuine identities. Moreover, the routine concealment of purchases using cash was a common feature across these operations and the nominal values transacted ensured that any purchases remained below those thresholds that might result in Suspicious Activity Reports (SAR's). The fact that a more relaxed regime of personal credit existed during this period guaranteed that the funding was readily available and relatively risk free. Indeed, rather than resort to criminality to fund these attacks, securing finance through personal credit arrangements and subsequently defaulting on loans, removed the potential for law enforcement disruption and interdiction. Indeed, such activity is not considered an act of dishonesty, but rather a routine commercial risk on the part of the lender. Defaulting on personal credit simply amounts to a business risk and is accordingly written of as 'bad debt' by the institutions. As such, no obvious triggers would incur either interest or action by law enforcement or private actors in the short term. Thus despite strong parallels across each of these plots, most notably the use of personal credit facilities and the absence of key financial donors or overseas fundraising, no single indicator emerges to heighten suspicion.

⁵³⁵ Ibid

Operation Seagram 2007

Whilst there are strong similarities around the funding methodologies employed by the conspirators in each of the above incidents, no such parallels exist with the subjects of the failed Vehicle Borne Improvised Explosive Device (VBIED) attacks London attacks of 29th June 2007 and the Glasgow bombing of 30th June 2007. The NTFIU was again commissioned to report separately on the specific funding of the attacks and to profile the financial activities of the key suspects. Whilst originally, this aspect of the investigation focused on multiple subjects, three core suspects were identified, Dr Bilal Abdullah, a British national though later educated in Bagdad, Kafeel Ahmed, who subsequently died from injuries sustained in the attacks and Dr Mohammed Asha who was later acquitted of all charges.⁵³⁶

Abdullah, an Iraqi Sunni Wahabist, seemingly influenced by the Iraq war and by the writings and speeches of Ayman al-Zawahiri and Abu Mousab al-Zarqa-wi⁵³⁷ was assessed as the principal financier. At the time of his arrest, he was employed as a medical practitioner in Paisley, Scotland and had held a bank account in the UK since October 1999. A forensic analysis of his accounts confirmed that a significant number of transactions related to attack planning. Indeed, it is assessed that Abdullah was the central player in the coordination of the vehicle purchases and the sundry materials used in the attacks.⁵³⁸ What is notable and distinct from the funding template employed in the three previous case studies, is that the conspirators in this case did not secure funding through personal loans, nor did they engage in fraud or use third party benefactors to finance the attacks. These attacks were exclusively financed from personal income streams and the conspirators professional status and financial liquidity may have accounted in part for this choice of methodology. As such they were assessed as having sufficient personal financial capacity to fund these attacks, eschewing typical sources of terrorist financing such as donor funding and opting instead for a model based exclusively on self sufficiency and financial autonomy.

⁵³⁶ 'Dr Bilal Abdulla Guilty of Glasgow Bomb Plot' www.cps.gov.uk, 16/12/08, accessed 12/11/10

⁵³⁷ Clarke M., & Soria V., 'Terrorism in the UK: Confirming its Modus Operandi', *RUSI Journal*, Vol 154, Issue 3, June 2009

⁵³⁸ Statement of Evidence WH Gordon 18/1/2008 - REGINA -v- Abdulla, Asha & Ahmed

These attacks assume a compelling significance when assessed in the context of terrorist financing and challenge the prevailing CTF investigative templates and their relevance in curbing the funding of such attacks. Abdulla, and his co-accused Mohammed Asha, was initially assessed as the key financial sponsors for these incidents and for funding the rental of 6 Neuk Crescent, Glasgow that in effect became the bomb factory and operations base in the months preceding the attacks. Further expenditure of £3,450 paid for 5 vehicles to facilitate the reconnaissance and detonation phase and a further £50.60 to purchase nine packets of assorted nails and screws to act as shrapnel for the devices.⁵³⁹ Further nominal expenditure was incurred for the purchase of propane gas cylinders, 38 gallons of petrol and mobile phones to detonate the VBIED's.⁵⁴⁰ The use of multiple cash transactions highlights the impotence of counter terrorism professionals in uncovering the origins of such a plot. In the absence of reasonable suspicion, further supporting intelligence or suspicious activity reports (SAR's) to heighten concerns, the likelihood of impacting the conspiracy and planning phase are greatly reduced. Thus no key triggers were immediately apparent in this case. Furthermore, the pre-incident transaction analysis would have yielded little regarding the vehicle purchases as these were affected in cash and the purchase of basic commodities such as petrol, gas and DIY products only assume significance post incident.

Whilst the UK's counter terrorism response, strategies and structures are considered dynamic in character, and reflective of lessons learnt from previous attacks,⁵⁴¹ several questions have emerged regarding the review outcomes from post incident evaluations of these attacks. Aside from the opportunities which these events present to shape future counter terrorism policy, further issues have come to light regarding the likely direction of CTF strategy given the trend towards operational independence and autonomous funding models in particular. On a general level, Gregory notes that the UK has implemented significant changes to its counter terrorism governance structures in recent years and whilst the impetus for these changes pre-dated the events of June 2007, the attacks nonetheless ensured greater momentum and focus. He acknowledges that the UK's counter terrorism

⁵³⁹ Ibid - The Times On-Line, December 17th 2008, 'Glasgow Bomber Bilal Abdulla was in Iraq Terrorist Cell' Sean O'Neill, Steve Bird and Michael Evans, accessed 12/11/10

⁵⁴⁰ Fieldwork Analysis of Case Summary Data from REGINA -v- Abdulla, Asha & Ahmed in the Central Criminal Court, London 2008.

⁵⁴¹ Gregory F., 'A Critical Analysis of Recent Developments in UK CT Policies and the Implications of the Car Bomb Incidents of June 2007' (ARI) – ARI 115/2007 29/10/2007.

efforts required greater cohesion, integration and accountability and a more consensual and bi-partisan approach to counter terrorism policy generally.⁵⁴²

It is against this backdrop of structural and systemic change in the delivery of counter terrorism policy, that Gregory examined the impact the June 2007 attacks. He cites the emergence of disclosures from trial documentation regarding possible law enforcement pre-emption opportunities that were either overlooked or incapable of further development or exploitation.⁵⁴³ However, from a CTF perspective, one must conclude that the *modus operandi* employed by this cell significantly undermines the likelihood of impacting conspiracies which are both strictly independent and financially autonomous. Gregory notes that no reference was made to the Glasgow incident in the Prime Ministers comments to Parliament on the suspected scale of the domestic threat delivered in the wake of the attack.⁵⁴⁴ Such comments clearly reflect concerns arising from a variety of home -grown plots in the preceding years. Whilst much emphasis has been placed on structural reform, greater data sharing with EU member states and various legislative proposals, these initiatives failed to offer new ideas in addressing the unique problems which counter terrorism professionals now face when confronting independent and autonomous terror cells.

Clearly the challenges posed by home-grown groups transcend terrorist financing programmes, as Western governments seek to confront a broad spectrum of domestic threats, whether indigenous nationals, resident non- nationals or migrants. Whilst acknowledging that the Glasgow template; the trend towards legitimate independent financing, may ultimately prevent the opportunity for effective interventions at the conspiracy phase, the operational impact from CTF in this context may in the future be confined to financial intelligence dividends derived from post incident evaluations, rather than proactive tactical interventions to disrupt attacks. These threats represent a watershed for CTF practice. As such, wider counter terrorism strategy should acknowledge the trend towards legitimate self-financing models and look for other indicators from typology analysis to identify potential conspiracies. CTF as a discipline should therefore supplement

⁵⁴² Ibid, p2

⁵⁴³ Ibid, p4

⁵⁴⁴ See Prime Minister Gordon Browns 'Statement on Security', 25th July 2007 citing 30 known plots, the monitoring of 200 + groupings or networks and approximately 2000 terrorist subjects of interest.

this approach by targeting low level acquisitive crime as a more credible and risk averse source of funding for autonomous home-grown groups and contemplate greater use of micro interventions to combat jihadist financing.

Theme 2 - The Case for Micro CTF Interventions

Conventional wisdom attests to the symbiosis between terrorism and money⁵⁴⁵ and this has been addressed in the main through a range of macro CTF interventions in the form of government initiatives such as greater regulation, compliance regimes, asset freezing and sanctions. The impact of these macro programmes, particularly those aimed at addressing the threats inherent within Informal Transfer Value Systems and those seeking to impose universal standards around compliance, have prompted a shift in how terrorist groups finance their activities. This is manifest by a departure from centralised financial controls towards greater proliferation and emphasis on more modest funding streams. Indeed, the commonly acknowledged decline in the economy of terror in recent years⁵⁴⁶ is arguably in part a response to these macro developments.

Yet whilst global CTF measures may have had some impact in reducing the overall sums of money available for terrorist action, further research is required to determine whether these measures have been more effective in thwarting either the volume or lethality of recent terrorist incidents. Ironically, such measures may have exacerbated the problem by displacing conventional funding models and replacing these instead with a more discreet funding template, thus limiting the scope for effective interventions. These measures have resulted in fundamental changes to the financial structure of UK and European terror networks in particular and rather than erode the jihadist threat, such policies may have been the stimulus behind the emergence of new self-funded terror cells in Europe and the Middle East.⁵⁴⁷

Clearly modern jihadist terrorist financing is a dynamic phenomenon and one of the most challenging aspects of modern terrorism. Central to this challenge therefore are the

⁵⁴⁵ Levitt M., & Jacobson M., Op. Cit., p3

⁵⁴⁶ Napoleoni L., *'The Evolution of Terrorist Financing Since 9/11: How the New Generation of Jihadists Fund Themselves'* Chapter 1 *'Terrornomics'* - Edited. Costigan S., S. & Gold, D. p13

⁵⁴⁷ Napoleoni, L., *'Insurgent Iraq: Al Zarqawi and the New Generation'*, New York; Seven Stories Press, 2005

unfolding choices around CTF strategy and specifically the balance struck in the use of macro and law enforcement led micro interventions. As highlighted in the various case studies above, micro financing and legitimate 'non criminal' self-financing have emerged as key features in the funding of 'new' terrorism. It is precisely the threat from small scale, self-funded cells that is particularly problematic for CTF practitioners, given that the terrorist finance indicators are more difficult to discern. In response to these developments, questions have emerged regarding whether CTF strategies should be revised to include greater emphasis on combating micro financing methodologies.

The current model of disaffected radicalised nationals, operating autonomously, vastly reduces the scale of logistical, tactical and financial support required. Indeed, the funding model for 'new' terrorism differs dramatically from that employed by 'traditional' hierarchical groups such as ETA or PIRA, where the costs of maintaining organisational infrastructure vastly exceeded those now required by home-grown cells.⁵⁴⁸ Given that cell survival, planning and terror attacks can be funded modestly, locally and even autonomously, logic dictates that greater emphasis should now be given to targeting micro-financing methodologies. Assuming that cognisance is given to the latent threat from Al Qaeda Core, the central debate now is the currency attached to macro interventions. This debate lays challenge to the impact which the grandiose architecture of account monitoring, sanctions, asset freezing and peer reviewed compliance evaluations, established under the UNSCR 1373 and the FATF (9SR) regime⁵⁴⁹ can deliver in this new dispensation. It questions whether this apparatus remains relevant and 'fit for purpose' and whether these measures can combat the funding to affiliate groups. The limitations of macro interventions as a means of effecting procedural change, has been acknowledged with such measures now seen as a "secondary tool" for action against these new threats.⁵⁵⁰

Indeed there is a dearth of evidence generally on the effectiveness of financial sanctions in particular to achieve their stated objectives.⁵⁵¹ The self-funding, self-sustaining

⁵⁴⁸ See 'Northern Ireland Affairs Select Committee Fourth Report', Op. Cit., regarding funding estimates for PIRA.

⁵⁴⁹ United Nations Security Council Resolution 1373 passed on 28 September 2001 called upon states to affect a series of measures to combat the financing of terrorism. The Financial Action Task Force issued Nine Special Recommendations on terrorist financing, the last in October 2004

⁵⁵⁰ Bierstecker T., & Eckert S., 'Addressing Challenges to Targeted Sanctions: An Update of the Watson Report' p4, October 2009, www.watsoninstitute.org

⁵⁵¹ HOL Select Committee on Economic Affairs, 'The Impact of Economic Sanctions' Volume 1 Report May 2007, p25

autonomous template which characterises current attack cells, is clearly less suited to targeted sanctions. The continued utility of these macro interventions in this context is further questioned by Bures⁵⁵² who considers the EU's fight against terrorist finances and questions whether the current programme of measures is capable of delivering the required operational impact. Whilst his analysis is constrained by the lack of publically available data on asset freezing in particular, citing the European Strategic Intelligence and Security Center Assessment, Bures nonetheless concludes that “*the real impact of asset freezing has often been overestimated because the preparation of a terrorist attack can be financed by micro-financing of much more complex tracing.*”⁵⁵³ As such, it is difficult to avoid the conclusion, that whilst the macro approach is perhaps more appropriate in confronting state sponsored terrorism, it is considered to be less effective when countering transnational jihadist groups and particularly the nascent threat of home-grown terrorism.⁵⁵⁴

It is on this basis therefore that greater significance should be given to micro CTF interventions. Success in the future may therefore depend on the development of new measures to deal with financially independent cells. That said, success in combating the financing of terrorism will require a suite of measures which includes both macro and micro options from which the appropriate tools can be selected. Indeed the recent rise in terrorist activity from groups such as Lashkar-i-Taiba (LeT), Al Shaabab and the Tehrik-e Taliban (TTP) affirm the need for macro interventions. Given that governments in the UK and EU member states are mandated to demonstrate their commitment to CTF through the Third European Union Money Laundering Directive⁵⁵⁵ political utility alone will almost certainly ensure the continued use and longevity of macro programmes.

Whilst greater emphasis should be given to the micro financing of terrorism, the Glasgow bombing highlights the impotence of CTF measures to combat 'no trace' independent attack cells. Indeed, it is only at the post incident phase where CTF tools such as retrospective financial surveillance and intelligence development are likely to add value. This attack

⁵⁵² Bures O. 'EU's Fight Against TF: Internal Shortcomings and Unsuitable External Models' Terrorism and Political Violence 2010, 18, (1) p423

⁵⁵³ Ibid, p424

⁵⁵⁴ Ibid, p427

⁵⁵⁵ EU Third Money Laundering Directive required member states to align the EEA regulatory regime on money laundering and terrorist financing with the FATF recommendations and implement the Directive by 15 December 2007.

however is significant on a number of levels. First there was seemingly no tangible link to Pakistan in the shape of Al Qaeda Core military training, logistical or financial support, thus highlighting the threat posed by financially independent Tier 3 cells.⁵⁵⁶ More significantly however, the Glasgow attack underscores a further mutation of the home-grown threat; the shift towards personal sources of finance. Thus future interventions must consider financial autonomy and self-reliance as key indicators when typologies are mapped over other criteria. Not all terror cells however, can generate funding through personal financial liquidity or non-criminal means. As highlighted in October 2012 during the trial of Irfan Naseer, Irfan Khalid and Ashik Ali on explosives and terrorist financing charges, the financing for the planned suicide bombing campaign had been acquired through bogus charity collections.⁵⁵⁷ There are obvious parallels here with Irish related terrorist financing and these will be addressed as a separate discussion later in this Chapter.

Conclusion

The prevailing view is that terrorist groups like commercial organisations require funds for a variety of purposes. Recent changes in the structure of terrorist groups however, demand that the symbiosis between terror and money be revisited. The current threat from financially autonomous cells, questions many of the assumptions on which UK CTF strategy is based. The use of sterile, personal, legitimate finances by disaffected individuals complicates matters further. Central to this development are the decisions required in deciding on the use of macro and micro interventions. The financial resilience and strength of Al Qaeda derives from its ability to transform and mutate. It is further bolstered by its network structure and doctrine, which targets wealthy donors and charities for funding, as well as encouraging affiliates and operatives to develop self-funding strategies. Whilst there has been an increase in autonomous groups, CTF may in the future focus increasingly on affiliates as Crone and Harrow suggest.⁵⁵⁸ Like PIRA previously, Al Qaeda has relied on several mutations and multiple sources of finance to fund its operations; however, it is the scale of this activity that differentiates the Al Qaeda funding model. These sources have

⁵⁵⁶ Irons L. I., '*Recent Patterns of Terror Prevention in the UK*', p14, Homeland Security Affairs Vol: IV, No1 January 2008

⁵⁵⁷ The '*Daily Telegraph*', 24 October 2012 reports that a Birmingham based Jihadist terror cell raised £13,500 through bogus 'Muslim Aid' collections to fund a planned suicide bombing campaign in September 2011.

⁵⁵⁸ Crone M., & Harrow, H. Op. Cit., p521,

included a global canvas of legitimate and illicit companies, government sponsors and religious charities to fund its operations.⁵⁵⁹ Further funding opportunities existed through the Islamic Banking sector which along with the use of cash couriers remains one of the most effective means of concealing and moving funds.

The implementation of various financial measures post 9/11, allied with the US and coalition military successes, have resulted in major changes to the financial structure of terror networks. Despite the recent trend towards greater financial autonomy and independence, external funding through donor programmes remains a key source of financing terrorism. Indeed, despite improved Saudi efforts to the contrary, the Gulf remains one of the major sources of terrorist financing, with significant streams of donor funding routinely remitted to Al Qaeda, the Taliban and Laskhar-e-Taiba (LET).⁵⁶⁰ Future CTF interventions must therefore be sufficiently flexible to simultaneously address strategic threats geared to the proliferation of Wahabist ideology overseas and the growth of financially autonomous domestic terror cells spawned from these programmes.

Modern jihadist terrorist financing is therefore an increasingly dynamic phenomenon. As the terror attacks in the UK illustrate, legitimate access to monies in the shape of personal loans [later defaulted] may play an increasingly important role in funding 'new' terrorism in future years. This trend towards enhanced financial efficiency and legitimacy is the defining challenge for CTF practitioners. However at best, CTF will merely limit the operational environment for illicit actors and disrupt their activities. It will not by itself eradicate emerging transnational threats or indeed home-grown terror cells. That said, CTF as an intervention option is now sufficiently mature and its value universally acknowledged that new configurations and procedures would evolve to challenge new threats. CTF must in the short term, target the shift towards greater financial efficiency and autonomy and impact the funding methodologies of home-grown groups by focusing increasingly on the micro financing of terrorism and the operational utility of financial intelligence generally to target terrorist conspiracies.

⁵⁵⁹ Basile, M., p169, '*Going to Source: Why Al Qaeda's Financial Network is Likely to Withstand the Current War on Terrorist Financing*' Studies in Conflict and Terrorism, Vol. 27, p169-185, 2004

⁵⁶⁰ Jacobson, M, '*Saudi Efforts to Combat Terrorist Financing*' The Washington Institute, Policy Watch #1555, 21July, 2009

More than a decade after the events of 9/11, CTF is at a cross roads in both policy and operational terms. It is clear that the dynamic nature of the terrorist threat and the challenge from 'fifth columnists' in recent years will require a shift in counter terrorism policy to keep pace with these developments. CTF strategy should therefore be reviewed in light of the challenges posed from home-grown Tier 2 & 3 jihadist groups that question the relevance of many of those options available from the macro interventions template. As such, operational effectiveness in confronting the home-grown threat requires a greater emphasis on the micro-financing of terrorism and a focus on micro methodologies to deliver operational impact.

Theme 3 - Military Perspectives on Threat Finance

This chapter considers the merits of embracing wider 'whole of government' approaches to CTF and specifically emerging military perspectives on 'threat' finance interventions. This thinking borrows heavily from the United States 'Threat Finance' Model and advocates a paradigm shift on the basis of perceived operational outcomes from new UK military contributions in shaping future CTF strategy. The current absence of a UK military perspective on terrorist financing is doubtless based on the prevailing narrative which criminalises the financing of terror. This theme is addressed by evaluating the recent involvement of UK Ministry of Defence personnel in Threat Finance programmes around insurgent financing in Afghanistan in particular and whether as a result, new perspectives are likely to emerge from wider inter agency facilitation and integration to shape future CTF Strategy in the UK.

Before focusing on the structures that are required to support this 'whole of government' approach, it is necessary to reflect on the nature and key sources of insurgent funding generally and to determine whether the counter measures adopted can be applied to the current UK CTF policy and strategy template. Understanding how the insurgency in Afghanistan and Pakistan is financed is a key aspect of US and UK foreign policy as well as ISAF operational strategy. Yet whilst there is a lack of clarity and consensus on the scale of funding generated for the insurgency, there is nonetheless agreement that combating

money flows is an essential element of the counterinsurgency campaign.⁵⁶¹ The 'transferability' of counter threat finance interventions is dependent on the extent to which parallels exist in the modus operandi employed by the Taliban and insurgents.

Indeed, on closer examination, the Taliban financing model is not dissimilar to the funding template employed by a variety of Irish terrorist groups. Whilst distinct from the Provisional IRA in the sense that the Afghan insurgency is not monolithic, this proliferation and factionalisation is best expressed in the variety of methods employed to generate finance. Here strong similarities prevail.⁵⁶² Indeed, it is widely acknowledged, that the Taliban has been financed largely through drug trafficking, with its affiliates, the Haqqani Network in western Pakistan resorting to kidnapping, extortion and other criminality.⁵⁶³

*“To fund their activities, insurgents may foster an illicit economy, sometimes of international scope, eluding government monitoring, taxation and interdiction. Such illicit financial activities diminish government revenues, increase corruption among local officials, and weaken the control and legitimacy of the government. Criminal activities may include theft, extortion, trafficking (of narcotics, arms and people) money laundering, piracy, document fraud, bribery, kidnapping and black market activity. These funding streams will often drive insurgents into alliances of convenience with organized crime. In some cases long standing insurgencies morph into gangs or organised criminal networks that are motivated by profit and economic self interest, rather than ideology.”*⁵⁶⁴

The Taliban's reliance on exploiting opportunities afforded by the drugs trade provides the key focus for threat finance practitioners, where counter threat finance is fused with counter insurgency and counter narcotics intervention programmes.⁵⁶⁵ All of the insurgent groups in Afghanistan are deemed to benefit from narcotics trafficking,⁵⁶⁶ however, accurate estimates of the scale of revenue generation are difficult to establish, given the absence of formal banking apparatus beyond the major cities and the overwhelming reliance on hawala which dominates approximately 80-90% of all trading underpinning Afghanistan's

⁵⁶¹ Collins C. & Ashraf A, 'Financing the Taliban: Tracing the Dollars Behind the Insurgencies in Afghanistan and Pakistan', p2, New America Foundation, 19 April 2010, www.newamerica.net

⁵⁶² See Northern Ireland Office, Organised Crime Task Force (OCTF) Reports 2001-2005 highlighting Northern Irish paramilitary group involvement in various criminal enterprises, www.octf.gov.uk/publications accessed 1 May 2013

⁵⁶³ Interview with CTF practitioner No.2, London, 10th May 2011

⁵⁶⁴ 'US Government Insurgency Guide', p.8 January 2009

⁵⁶⁵ Interview with CTF practitioner No.2, London, 10 May 2011

⁵⁶⁶ Katzmman, K., 'Afghanistan: Post-Taliban Governance, Security and US Policy,' Congressional Research Service, 4 January 2013

economy.⁵⁶⁷ Indeed, 60% of those informal transfers are deemed to be drug related. A recent UNODC Report estimated that trafficking generated an estimated \$70-100 million per year for insurgents,⁵⁶⁸ Irrespective of these amounts; the threat finance response is still predicated on the requirement to target the raising, storage and transfer of funds. Interestingly, some commentators acknowledge the criminal crossover between the Taliban and the drug trade and anticipate the eventual morphing of the Afghan insurgency into a criminal syndicate.⁵⁶⁹ This again highlights the parallels with Irish terrorist groups and the shift from terrorism to organised crime.⁵⁷⁰

These similarities extend beyond drug trafficking⁵⁷¹ with the Taliban, the Haqqani Network and other affiliated groups having exploited other criminal enterprises. Military commanders have recently noted this “blurring of the line” between the Taliban and criminal groups.⁵⁷² Kidnapping in particular has emerged as a significant source of finance, particularly for Taliban factions domiciled in Pakistan. The Pakistani Intelligence Services estimate that kidnapping for ransom, through the targeting of foreign aid workers, journalists and wealthy Pakistani nationals provides a significant source of ancillary funding for insurgency operations.⁵⁷³ Recourse to smuggling thus provides further echoes of Irish terrorist financing. Whilst Afghanistan and the Federally Administered Tribal Areas of Pakistan (FATA) are economically deprived, these possess a wealth of natural resources, most notably exotic woods, marble and emerald mines, all of which have been exploited by militants in both jurisdictions. Indeed approximately \$100 million of timber was stripped from the Swat Valley when the area was ceded to the Pakistani Taliban.⁵⁷⁴ Whilst analysts routinely cite ideology as the chief factor responsible for enhanced militancy in the region, it is suggested that greater attention should be paid to the nexus between militants and the black economy. It is through this process of “Talibanisation” that smugglers protect illegal

⁵⁶⁷ Collins C., & Ashraf A., Op Cit., p4

⁵⁶⁸ UN Office on Drugs and Crime Report, September 2011, www.unodc.org, although others put the figure significantly higher. Catherine Collins and Ashraf A., *Financing the Taliban: Tracing the Dollars Behind the Insurgencies in Afghanistan and Pakistan*, New America Foundation, 19 April 2010, p5

⁵⁶⁹ Ibid, p6

⁵⁷⁰ House of Commons NI Affairs Report, *Op. Cit.*, p,12

⁵⁷¹ Drug Trafficking was exploited regularly by Loyalist paramilitary groups in Northern Ireland. Republican groups by contrast, were assessed as engaging in drug taxing regimes whereby activity was sanctioned in return for a percentage of the profits.

⁵⁷² See Interview with Major Mike Sullivan 2009, qtd in Collins C., & Ashraf A., *Financing the Taliban: Tracing the Dollars Behind the Insurgencies in Afghanistan and Pakistan*, New America Foundation, 19 April 2010, p6

⁵⁷³ Interview with CTF practitioner No.2, London, 10 May 2011

⁵⁷⁴ Collins C., & Ashraf A., Op. Cit., p7

businesses at the expense of the state and in turn further contribute to resourcing the insurgency.⁵⁷⁵

Again drawing parallels with the Irish financing model, the Taliban practice of demanding a 'levy' from legitimate commercial enterprises under its control provides a further lucrative funding stream. The Taliban generally exploit the absence of central government control in the tribal areas of North West Pakistan, although this de facto taxation regime also extends to urban areas such as Lahore, Karachi and Quetta.⁵⁷⁶ The system of monthly dues and encumbrances was also a traditional feature of Irish terrorist financing.⁵⁷⁷ Likewise the Taliban like Irish groups previously, benefits hugely from donor and diaspora funding. Moreover, Richard Holbrooke, the former US Envoy to Afghanistan and Pakistan, in testimony to the Senate Foreign Relations Committee in January 2010, was keen to stress the scale of donations from the Gulf in funding the insurgency.⁵⁷⁸ Again, as with the Irish campaign, substantial sums are generated from sympathetic diaspora communities and charitable groups, often under the under the guise of 'welfare' programmes.⁵⁷⁹

There are clearly strong similarities between the Irish terrorist financing model and those methodologies used for Taliban and insurgent financing. This poses significant questions around lessons to be drawn from UK corporate knowledge on previous CTF operational practices. Moreover, a review of insurgent financing also confirms the tactical emphasis placed in tracing money flows and the continued centrality of finance in broader counter terrorism and counter insurgency programmes. The creation of the Afghan Threat Finance Cell (ATFC) in 2008, replicating the Iraq Threat Finance Cell further endorses the emphasis on non-kinetic 'finance' interventions. The creation of inter agency Threat Finance Cells, rapidly institutionalised threat finance analysis as a key operational asset. Indeed in the United States, all major intelligence and law enforcement agencies now maintain a specific counter threat finance mission. This is largely defined as the *“identification and degradation of financial networks used by militant groups.”*⁵⁸⁰

⁵⁷⁵ Ashraf, S. I., 'Militancy and the Black Economy' www.dawn.com/archives/29278 accessed 11 February 2013

⁵⁷⁶ Karimjee, M., 'Pakistan's Terror Tax', 6 February 2013, www.cnbc.com/100437483 accessed 12 February 2013

⁵⁷⁷ Interview with Ex-RUC Detective, February 2013

⁵⁷⁸ Testimony by Richard Holbrooke to the Senate Foreign Relations Committee on 21 January 2010

⁵⁷⁹ Interview with Ex-RUC Detective, February 2013 indicating that prisoner's welfare finance campaigns were often used to fund wider operational requirements.

⁵⁸⁰ Conway, J. E., 'Analysis in Combat: The Deployed Threat Finance Analyst' Small Wars Journal, 4th July 2012, www.smallwarsjournal.com/jrnl

Within the US Department of Defense (DOD), Special Operations Command (SOCOM) was given lead coordination status to synchronise efforts to choke off funds to terrorists and degrade their finance networks.⁵⁸¹ Moreover, this emphasis on finance was further reinforced when in December 2009, several prominent members of the Senate Intelligence Committee encouraged the Pentagon to commit further resources to simultaneously target money flows and attack enemy funding networks.⁵⁸² The ensuing analysis by the ATFC has provided the US authorities with a deeper and more nuanced understanding of the various sources of funding used to support the insurgency. Of most interest perhaps from a UK CTF perspective, is the emerging reliance on regionalised, geographically specific low-level criminal activities, whether cedar or gem smuggling, extortion or 'security licensing'.⁵⁸³ Of greatest concern however is the widespread extortion of US development and logistics contracts, pay offs from NGO's and 'skimming' from poorly overseen Afghan government projects under the National Solidarity Programme.⁵⁸⁴

Given that the UK and its coalition partners are presently reducing the military presence in Afghanistan in preparation for eventual combat cessation by 2015, the capacity of Afghanistan to protect its fragile democracy will be determined in large part by the challenge of such widespread corruption, which for many is considered the biggest single challenge facing the country today. Not surprisingly, given the scale of international aid and development funding to the Region, the Taliban has sought to target these opportunities.⁵⁸⁵ Indeed US officials⁵⁸⁶ and Congress have long been concerned that the Taliban have siphoned off contractual funding from the international community and exploited the “*toxic, opportunistic system that connects distracted American careerists, private US corporations and corrupt Afghan klepocrats.*”⁵⁸⁷

Roston documents at length the dynamics of commercial interactions between contractors

⁵⁸¹ Ibid

⁵⁸² Collins C., & Ashraf A, 'Financing the Taliban: Tracing the Dollars Behind the Insurgencies in Afghanistan and Pakistan', New America Foundation, 19 April 2010, p11

⁵⁸³ Ibid

⁵⁸⁴ Thompson, M., Op. Cit.

⁵⁸⁵ Interview with CTF practitioner No.2.

⁵⁸⁶ US Secretary of State Hilary Clinton in testimony to US Senate Armed Services Committee 2nd December 2009 qtd in Catherine Collins and Ashraf Ali, 'Financing the Taliban: Tracing the Dollars Behind the Insurgencies in Afghanistan and Pakistan', New America Foundation, 19 April 2010, p8

⁵⁸⁷ Thompson, M., Op. Cit.

and the Taliban, in which military contractors are forced to pay suspected insurgents to protect American supply routes.

*“Welcome to the wartime contracting bazaar in Afghanistan. It is a virtual carnival of improbable characters and shady connections, with former CIA officials and ex-military officers joining hands with former Taliban and Mujahadeen to collect US government funds in the name of the war effort.”*⁵⁸⁸

Alarming, US Officials in Kabul estimated that a minimum of 10% of the Pentagon's logistics contracts consists of payments to insurgents. To understand how and why this occurs requires an appreciation of Afghan culture and tribal dynamics. This is sanctioned largely on the basis that there are few other ways to bring goods and supplies to the combat outposts and forward operating bases where they are most needed. The terrain in Southern Afghanistan is logistically difficult and hostile and security contractors must rely on the imprimatur of the Taliban.

*“It is the layers upon layers of contracts and subcontracts that make the whole process opaque, susceptible to fraud and nearly impossible to quantify.”*⁵⁸⁹

In summary, insurgent financing is supported by a variety of sources, many of which are similar to those methods traditionally employed by Western terrorist groups and organised crime syndicates. It is the notion that US taxpayers may have been unwittingly bankrolling the Taliban through systemic and cultural corruption⁵⁹⁰ that provides the key distinction when considering in comparative terms, insurgent financing methodologies. Western CTF interventions have not had to contend with overseeing a dysfunctional and uncoordinated regime of logistics and development contracts on the scale administered in Afghanistan. Successful threat finance measures targeting the Afghan insurgency will however similarly require a combination of macro and micro interventions. Whilst the military is naturally predisposed to kinetic warfare, non-kinetic finance interventions are increasingly recognised as significant counter insurgency assets. Whilst considerable Afghan Threat Finance Cell efforts have been directed towards narcotics interventions as the primary and most obvious source of funding, this has been supported with further diplomatic efforts to

⁵⁸⁸ Roston, A. 'How the US Funds the Taliban', The Nation, 11 November 2009, www.beyondleftflight.com, accessed 11 February 2013

⁵⁸⁹ Collins C., & Ashraf A. Op. Cit., p8

⁵⁹⁰ Wissing, D. A. 'Funding the Enemy: How US Taxpayers Bankroll the Taliban' Prometheus Books, New York, 2012

improve the regulation of financial transactions in both Afghanistan and Pakistan and capacity building efforts in the Gulf to stymie the flow of donor finances.

Having documented the scale and key characteristics of financing the Afghan insurgency, it is necessary to evaluate the US military response to insurgent funding sources through structured non kinetic threat finance interventions and whether this approach might in turn be embraced by British military commanders and contribute ultimately to new perspectives in shaping future UK CTF policy and strategy. The obvious starting point is to consider key aspects of the “Joint Chiefs of Staff, *Commanders Handbook for Counter Threat Finance*”, September 2011⁵⁹¹ that charts the shift in US military thinking and practice. This shift towards 'softer' interventions underscores the US military commitment to exploring opportunities beyond conventional military responses, by embracing wider interagency programmes aimed at degrading terrorist capability and support through targeted counter threat finance efforts. The DOD has multiple supporting roles in the CTF arena and has acknowledged both the strategic and tactical significance of a “robust and capable CTF posture”⁵⁹² and its contribution in supporting a whole-of-government, full spectrum approach to CTF by assisting the National Security Council to counter threat finance that might potentially or directly impact the US.⁵⁹³

This approach coincides with greater global and domestic economic austerity, new security threats and acute fiscal constraints. As such the US military has been forced to look beyond traditional kinetic responses and utilise the full repertoire of diplomatic, information, military and economic assets to track, monitor, exploit and disrupt emerging threats to US national security.⁵⁹⁴ It should be noted however, that the genesis for this approach emerged during Operation Iraqi Freedom with the establishment of the Iraq Threat Finance Cell (ITFC) in 2005 which consolidated the degree of integration threat finance played within the Pentagon's intelligence and military operations and emerged as the foundation model for Western counterinsurgency and asymmetric warfare officials.⁵⁹⁵ The purpose of the

⁵⁹¹ *Commanders Handbook for Counter Threat Finance* Joint Staff, J-7, Suffolk, Virginia, 13 September 2011, accessed 7 February 2013 <http://info.publicintelligence.ref.DODCounterThreatFinance.pdf>

⁵⁹² Ibid

⁵⁹³ *The National Security Council has the lead in developing policy, identifying, assessing and coordinating inter agency actions to counter threat finance that might potentially or directly impact the US.*

⁵⁹⁴ Carter, Lt. Col. J. E. ‘*Emerging DOD Role in the Interagency Counter Threat Finance Mission*’p1, US Army War College, Pennsylvania, 14 March 2012

⁵⁹⁵ Cochrane, A. ‘*US Iraq Threat Finance Cell: Puncturing Insurgents’ Financial Network*’ CounterTerrorism Blog, 20

ITFC was to disrupt the flow of funds to insurgents and assist the intelligence gathering efforts in Iraq through collaborative interagency means. The key stakeholders included personnel from the Department of the Treasury, FBI, Internal Revenue Service, Department of State, the Defense Intelligence Agency and US SOCOM. This template was in turn applied to Afghanistan in 2008.

The Afghan Threat Finance Cell focused on three core lines of operation. First it undertook criminal investigations into high-level narcotics trafficking. Second it was charged with implementing intelligence driven drug flow attack strategy aimed at identifying and severing the connection between the Taliban insurgents and their finances. Finally it was a key player in participating with the interagency community to develop Afghan capacity.⁵⁹⁶ With the accelerated withdrawal of US Troops from Afghanistan, further budgetary constraints and eventually transfer of primacy to the National Afghan Army by 2014, the key issue in the context of this thesis, is the extent to which the DOD and the US Military will continue to engage, contribute to and shape future counter threat finance interventions.

Following a strategic guidance paper published by the DOD in January 2012,⁵⁹⁷ it is anticipated that the US military will continue to play a key role in Countering Threat Finance. Indeed in reference to future “*Conduct Stability and Counterinsurgency Operations*”, US forces will increasingly utilise non-military means to address instability and continue to “*retain and continue to refine the lessons learned, expertise and specialized capabilities that have been developed [from] counterinsurgency and stability operations in Iraq and Afghanistan.*”⁵⁹⁸ By implication the utility of non-kinetic interventions such as threat finance programmes, are likely to feature prominently in this new dispensation, given the requirement to maintain “*agile and capable military forces whose actions are harmonized with other elements of US national power.*”⁵⁹⁹ Moreover, given the need to gather intelligence on State Department designated terrorists and organisations, targeting finance support networks allied with wider intelligence dividends was acknowledged as a core asset in combating the Taliban and the insurgency. It is the transferability of finance

November 2007, [www. counterterrorismblog.org/2007](http://www.counterterrorismblog.org/2007), accessed 7 February 2013

⁵⁹⁶ Carter, Op. Cit., p13

⁵⁹⁷ Department of Defense, ‘*Sustaining US Global Leadership: Priorities for 21st Century Defense*’, Washington DC, 5 January 2012

⁵⁹⁸ Ibid, p12

⁵⁹⁹ Ibid, p16

interventions to other operational domains that is most significant. Indeed, Counter Threat Finance remains an important aspect of wider intelligence gathering in support of terrorist targeting.⁶⁰⁰ Though predating the January 2012 publication, DOD Directive 5205.14⁶⁰¹ consolidates the role required of the US military in contributing to the denial, disruption, defeat and degradation of licit and illicit global financial networks to negatively affect US interests. The real message inherent within this directive however, is to extend, enhance and codify the DOD's on-going commitment to threat finance strategy.

Carter⁶⁰² acknowledges that future CTF requires a balancing of national security resources as well as a shared understanding and responsibility regarding the contributions required from law enforcement, policy officials, the military and intelligence services.

*“The primary contributions of DOD towards combating terrorist finance include incorporation of CTF operations into joint campaign plans; collection, analysis and interagency sharing of signal, financial and human intelligence; and military target/indication actions required to attack or block financial lines of communication and disrupt networks”*⁶⁰³

The centrality accorded to finance by the DOD for US counterinsurgency, intelligence gathering and joint targeting operations has most notably been addressed and reinforced in the *“Commanders Handbook for Counter Threat Finance”*⁶⁰⁴ In short, the document provides an understanding of the various processes required from Joint Force Commanders (JFC's) to plan, execute and assess CTF activities and the integration of these activities into their respective operational plans.⁶⁰⁵ Whilst JFC's have long acknowledged the necessity and value of attacking an enemy's military supply lines, CTF simply constitutes another analogous means of attacking modern, irregular adversaries.⁶⁰⁶

“Finances are the lifeblood of adversary networks. Denying the adversary its finances makes it harder, maybe impossible for the adversary to pay, train, arm, feed, cloth and gather information and

⁶⁰⁰ Carter Lt. Col. J. E. Op. Cit. p14

⁶⁰¹ DOD Directive 5205.14, ‘DOD Counter Threat Finance (CTF) Policy’, 19 August 2010

⁶⁰² Ibid

⁶⁰³ Karnoil. R., ‘Tracking the Money Trail of Terrorists’, The Strait Times, 19 December 2011 qtd in Carter, Lt. Col. J. E. ‘Emerging DOD Role in the Interagency Counter Threat Finance Mission’ p14, US Army War College, Pennsylvania, 14 March 2012

⁶⁰⁴ *Commanders Handbook for Counter Threat Finance* Joint Staff, J-7, Suffolk, Virginia, 13 September 2011, accessed 7 February 2013 <http://info.publicintelligence.ref.DODCounterThreatFinance.pdf>

⁶⁰⁵ Ibid, p. ix

⁶⁰⁶ Ibid, p. x

produce propaganda which supports the fighters. Countering any adversary's finances can have a significant impact on the organisation's morale. CTF can increase costs and risk for the adversary."⁶⁰⁷

In view of the fiscal pressures on the US military budget, CTF interventions are likely to increase rather than diminish. Indeed it is recognised that DOD best engages some targets kinetically, whilst some CTF targets are more appropriate for engagement through interagency, multinational or host nation organisations.⁶⁰⁸ Whether some of these structures can be replicated by the Ministry of Defence and UK military perspectives subsequently shape future approaches to counter terrorist financing, will depend on a variety of factors, not least the maturity and operationalisation of UK military threat finance programmes.

Other challenges prevail, in particular the distinctions between military and law enforcement/interagency perspectives regarding planning and operational timelines. Significant operational differences include event/action focused versus system/process focused approaches. Contrasts in tactics and techniques require consideration as do operational templates which emphasise procedures and doctrine rather than 'rules of evidence'.⁶⁰⁹ Notwithstanding these difficulties, different operational perspectives can add value to CTF. Perhaps most encouragingly, US Military support to CTF is not a distinct type of military operation. Rather it is now acknowledged as a core intervention against an adversaries' specific capability. It is now fully integrated rather than an adjunct to conventional military responses. Perhaps the biggest challenge for the military in general, centres on organisational metrics. Agreeing outcomes on threat finance will in the short-term illuminate significant distinctions in organisational culture and practice. As the "Handbook" acknowledges, preparing and agreeing a consolidated 'whole of government' set of strategic metrics for threat finance will be extremely challenging.⁶¹⁰ Law enforcement is perhaps more predisposed to the protracted and often convoluted nature of financial investigations from which intelligence outcomes often emerge. Actions against financial networks often take months to develop due to the difficulty of collecting data and the subsequent processes around assessment and analysis.

⁶⁰⁷ Ibid

⁶⁰⁸ Ibid, p. xiii

⁶⁰⁹ Ibid

⁶¹⁰ Ibid p. xiv

It is perhaps the enhanced use of Threat Finance Analysis by the military, consolidated through the Threat Finance Cells (TFC's) in Iraq and Afghanistan however, from which the greatest operational dividends may emerge. Conway charts the institutional development of threat finance analysis within combat zones and the unique combination of qualitative and quantitative methods that emerged within the TFC's.⁶¹¹ During the course of its 5-year tenure in Iraq, the TFC focused on enhancing the breadth and depth of FININT collection as well as processing FININT to provide “*course of action recommendations to military commanders.*”⁶¹² The personal endorsement of these structures by General Petraeus (Congressional Hearing in April 2009 at House of Representatives) and their replication and ability to add value in Afghanistan, doubtless heightened the profile of threat finance analysis more generally. In essence, the TFC's challenged the conventional intelligence collection template with its emphasis on human intelligence assets (HUMINT) targeting key individuals, emphasising instead the need for detailed intelligence on financial processes and logistics chains and the sources and methods of financial support.

Conway specifically highlights the innovative approaches that developed in analysing insurgent networks. Whereas traditional intelligence analysis in Iraq and Afghanistan was “highly qualitative and loosely structured”, analysts within the TFCs deployed quantitative methods such as social network analysis, (SNA) multi-objective decision analysis (MODA) and influence network modelling (INM). It was the fusion of qualitative and quantitative approaches that is most significant.

*“Social network analysis became the preferred method for identifying network vulnerabilities – whether those networks were based on individual relationships or the flow of financial sources within an illicit organisation. Inserting multi objective decision analysis techniques into daily intelligence analysis was perhaps the most successful application of quantitative methods within the TFCs. Leveraging private sector methods for assessing alternative decision paths, TFC analysts designed a series of hierarchies to prioritize financial targets within an insurgent group or prioritize hawala offices within an informal money exchange network”*⁶¹³

⁶¹¹ Conway, J. E., ‘*Analysis in Combat: The Deployed Threat Finance Analyst*’, <http://smallwarsjournal.com>, 4th July 2012, accessed 7 February 2013

⁶¹² Ibid

⁶¹³ Ibid, p3

The key question that emerges is the longevity of the TFC model to shape and inform US military responses beyond the drawdown and post 2014 combat role. For Conway, the imperative to deploy Threat Finance Analysts may evaporate as the national security community look beyond Afghanistan. He thus cautions against their evisceration operationally.

*“Though the TFCs represent a fraction of the deployed civilian analyst population, great progress has been made in influencing intelligence collections, in fusing quantitative and qualitative methods for solving complex, multifaceted problems and in becoming more active in recommending courses of action on the battlefield.”*⁶¹⁴

It is the distillation of the outcomes from the TFC model and the use of emerging analytical tools to migrate from US military 'threat' finance perspectives to UK counter terrorist finance applications that requires further research. Given the significant changes in domestic terror group financing in recent years, it is difficult to determine whether existing UK financial intelligence collection and analysis processes might benefit from additional quantitative approaches and in particular, the use of social network analysis algorithms to combat domestic jihadist terror cells. Ultimately, however, CTF as an operational discipline is an organic phenomenon and has morphed overtime to embrace new approaches and developments. Advances in technology have traditionally shaped the threat environment and the ensuing operational responses. As their 'threat' finance portfolio responsibilities intensify, the degree of Ministry of Defence engagement in future UK CTF strategy requires to be determined. It is the military's propensity however, to leverage the outputs from a variety of intelligence assets, HUMINT, MASINT and SIGINT,⁶¹⁵ that may most influence future law enforcement responses to CTF. Doubtless influenced to some extent by the technical lexicon that dominates military intelligence collection, CTF interventions in the UK will in future be shaped less by focusing on criminalising the financing of terror, and more by harvesting the emerging digital and financial intelligence opportunities to provide a more granular view of key protagonists and networks and national security threats.

⁶¹⁴ Ibid, p4

⁶¹⁵ Refers to Human Intelligence sources (HUMINT), Measures and Signatures Intelligence (MASINT) and Signals Intelligence (SIGINT).

Theme 4 - Lessons from CTF Interventions in Northern Ireland

Given the clear similarities between aspects of Irish terrorist and Afghan insurgent financing, it is necessary to consider previous UK CTF methodologies in order that current corporate knowledge from previous interventions might further inform our response to insurgent financing as well as those micro-financing methodologies employed in recent years by domestic terror cells in the UK. Indeed, in view of the rather limited terrain which terrorist groups, insurgents and organised crime syndicates might exploit to generate funding, the UK law enforcement, security and intelligence community has a distinct advantage in determining 'lessons learnt' from previous campaigns. The current UK approach to counter terrorism has been shaped in particular by the battle between successive British governments and the Provisional IRA (PIRA) prior to its ceasefire in 1994. Given the shift in the domestic threat towards jihadist cell based attack structures in the UK in recent years, it is obvious that the key terrorist financing characteristics from the Irish campaign should be considered to determine obvious parallels with the current funding methodologies employed by these groups.

Before examining the nature and characteristics of terrorist financing in Northern Ireland and its relevance in addressing recent home-grown threats, it is necessary to consider the current counter terrorism policy response. Terror prevention practice in the UK has been the subject of review by several commentators with some challenging those core assumptions made by police and the intelligence services regarding the risks posed by affiliate jihadist groups.⁶¹⁶ Indeed, for some, the prevention process has been undermined by too rigid an adherence to out-dated investigative templates that are disproportionately influenced by hierarchical adversarial models. As a result, key opportunities were missed to develop information regarding the 7/7 and 21/7 terrorist plots in London because the prevailing risk management strategy failed to use a networked conception of terrorist cells.⁶¹⁷ The *'Intelligence and Security Committee (ISC) Report into the London Terrorist Attacks on 7 July 2005'* (2006) and the reciprocal government report further highlighted shortcomings in the terror prevention process and particularly the significance given to the

⁶¹⁶ Irons L. R. 'Recent Patterns of Terror Prevention in the UK', Homeland Security Affairs Vol: IV , No1 January 2008, p3

⁶¹⁷ Ibid

use of suicide attacks.⁶¹⁸ Acknowledging that there were clear deficiencies in threat recognition on the part of the intelligence services, it is thus easy to conclude that preoccupation with Irish related terrorism and particularly the modus operandi of PIRA continued to shape UK counter terrorism thinking and practices. The notion of martyrdom operations being undertaken in the UK by British nationals was not given much weight; indeed the shift towards greater lethality in this context was simply neither contemplated nor addressed with any vigour at this time. This begs the question of whether our current thinking around CTF is similarly outmoded and likewise fails to recognise the paradigm shift in terrorist funding for 'new' terrorist groups.

It is clear, that the experience of dealing with PIRA influenced and conditioned the subsequent UK risk management strategy used to investigate those emerging threats posed by Al Qaeda and its affiliates. In light of this assessment, several questions emerge, most notably the extent to which public policy on CT generally and CTF in particular has been suitably revised to take account of the shifts in operational practice, structure and resourcing by such groups. Of key interest however, is the extent to which the development of CTF policy has reflected networked terrorism and the changes in the economy of terror. Implicit within the question is the proposition that combating the financing of such groups requires an approach which to a greater extent considers micro-financing methodology and the shift to greater levels of financial autonomy and independence. Indeed, rather than lead to closer engagement with crime syndicates as was the case in Northern Ireland,⁶¹⁹ funding terrorism is now more likely to involve minor financial crime such as credit card fraud and welfare abuse given the modest sums required for attack planning and execution. Moreover, the notion that terror cells may in the future fund their operations independently without the need to engage in criminality is now a very real possibility.

The link between the funding of terrorism and the exploitation of criminal commodities is well documented in Northern Ireland. The developing relationships between Northern Irish terrorist groups and transnational organised crime generally are unsurprising given their similarities. By the late 1990's the nature of Irish terrorist fundraising had undergone

⁶¹⁸ ISC Report May 2006, para 102, p28

⁶¹⁹ 'Third Report of the Independent Monitoring Commission', November 2004, p26

significant change with traditional fundraising activities such as extortion and armed robbery superseded by more complex and sophisticated forms of organised crime such as tobacco smuggling and counterfeiting with identifiable links to Asia, Europe and Africa.⁶²⁰ Police highlighted significant changes in the nature of terrorist financing and the relationship with organised crime in 2002.

*“An increased linkage or continuum [has emerged] between criminal activity engaged in by terrorists for ideologically driven fundraising and serious organised crime. The lines between the two have become increasingly blurred as paramilitaries share activities and profits with organised criminal gangs.”*⁶²¹

By 2004, paramilitary groups had extended their activities into a widening range of non-terrorist crime. As a result, organised crime in Northern Ireland was deemed significantly greater in scale, impact and complexity than it would otherwise have been.⁶²²

Indeed the ‘crime-terror nexus’ has emerged as an area of interest to policy makers in understanding the contemporary financing of terrorism generally.⁶²³ ‘New terrorism’ whether in the form of diffuse, autonomous or home-grown groups’ is increasingly reliant on network and cell based structures and thus borrows heavily from the prevailing structural configurations of organised crime groups. These networks are largely multi-ethnic, multi-jurisdictional and increasingly willing to forge strategic alliances in pursuit of a common profit goal. Whilst the desire for finance has prompted closer alliances and the operational plagiarism of funding mechanisms through crime, the most sophisticated organised crime groups have borrowed heavily from terrorist methodology, employing military discipline and tradecraft to shore up their own operational practices.

Whilst cooperation between organised crime and terrorist groups is well documented, it is perhaps the ‘appropriation’ of organised crime methodology and practices by terrorist groups that attracted most interest.⁶²⁴ As outlined previously⁶²⁵ the case for appropriation is

⁶²⁰ House of Commons NIAC Report- ‘*The Financing of Terrorism in Northern Ireland*’ Fourth Report Vol.1, July 2002, p. v and ‘*Third Report of the Independent Monitoring Commission*’, 2004, p28

⁶²¹ Ibid, p14

⁶²² Ibid p26

⁶²³ Makenko, T., ‘*A model of terrorist criminal relations*’ Janes Security News, 30 July 2003

⁶²⁴ Williams, P. ‘*Terrorist financing and organized crime: nexus appropriation or transformation?*’ p137, qtd in Biersteker, Thomas J, and Sue Eckert (Eds), ‘*Countering the Financing of Terrorism*’ Routledge Publishers, 2008

⁶²⁵ See Thesis, Chapter Two, p56

particularly compelling in respect of Northern Ireland. Whilst historically relying on a variety of funding mechanisms, paramilitary organisations in the province overwhelmingly sought to exploit those opportunities that emerged through the targeting of various criminal commodities. Indeed, the involvement of both Loyalist and Republican groups in generating finance primarily through criminality has been the subject of academic interest and wider political discussion.⁶²⁶

One interesting feature of the Northern Ireland situation however, is that the relationship between paramilitary groups and organised crime more latterly was spawned more as a transformational development from the terrorist campaign. Historically involvement in crime was fostered to secure adequate funding platforms for attack planning and maintaining organisational infrastructure. Those national and transnational networks that previously facilitated weapons procurement and military operations are now being used almost exclusively for personal financial gain rather than organisational resourcing. The prevailing view is that recent years have seen a shift from paramilitary terrorism to paramilitary crime.⁶²⁷ Whilst crime has been the major source of funding for all paramilitary groups in Northern Ireland, the micro financing of terrorism however, through minor financial fraud and state welfare abuse also emerged as significant platforms to bolster the coffers of such groups.⁶²⁸ It is in this context that parallels are most likely to be drawn, when assessing those micro-financing methodologies likely to be engaged, by home-grown jihadist groups.

As highlighted in Chapter Two,⁶²⁹ the various Northern Ireland crime groups ranged from close-knit structures, often based on family or ideological affiliation, to loose networks engaging with others in pursuit of criminal profit. Whilst there are clearly similarities in terms of structural composition, the primacy of ideology on the part of jihadist home-grown groups is likely to constrain and contain any formal relationship with external criminal enterprises. As such, it is more likely that funding will be sought from discreet and increasingly benign micro enterprises where the risks of law enforcement intervention are lessened, yet the funds are still adequate to finance their operations and planning.

⁶²⁶ Horgan, J & Taylor, M., Op. Cit., p1-38 and OCTF 'Threat Assessment 2003', www.octf.gov.uk

⁶²⁷ Northern Ireland Affairs Committee 'Organised Crime in Northern Ireland 2005/06' Third Report, p11, 5th July 2006

⁶²⁸ OCTF 'Serious Organised Crime in N. Ireland, Threat Assessment 2003', p11, www.octf.gov.uk

⁶²⁹ See Thesis Chapter 2, p56.

It is worth noting, that the funding of terrorism in Northern Ireland took various forms and included both macro and micro financing. On the one hand, it was estimated that in 2001, PIRA required approximately £1.5 million annually to run the organisation, from an estimated fundraising capacity of £5-8 million. The remaining terrorist organisations required more modest amounts with some as low as £50k annually. Most notably, however, some Brigades were expected to be self-financing, though this was likely to be funded through a combination of personal donations, legitimate commercial ventures and minor criminality.⁶³⁰ Whilst considerable efforts were directed against money laundering, hydrocarbon fuel fraud, tobacco smuggling and intellectual property crime etc., it was around the micro financing of these organisations through loan sharking, charities, gaming machine and social security fraud that sustained the operations of many of the smaller terrorist groups.⁶³¹ The most obvious conclusion to be drawn when considering lessons from the financing of terrorism in Northern Ireland is that the degree to which money is required varies from organisation, group or indeed cell, depending on their needs and level of sophistication.⁶³²

As demonstrated by the most recent attacks in the UK, the level of finance required to fund these plots is minimal. Financial penury however is nothing new. Low levels of terrorist financing was also a feature of the loyalist campaign in Northern Ireland in the late 1990's.⁶³³ Moreover, the House of Commons, Northern Ireland Affairs Committee concluded that “*very little money is in fact required to maintain a rudimentary but effective terrorist campaign*” with terrorist groups having at times gained a significant return on their investment from monies expended when compared to government counter action and repair.⁶³⁴ Such comments again highlight the need for both macro and micro elements of CTF strategy. The key however to operational impact, is in determining where the emphasis should be. From a 'lessons learnt' perspective, greater consideration should clearly be given to the targeting of minor financial and social welfare fraud and charities abuse,

⁶³⁰ House of Commons NIAC Report- ‘*The Financing of Terrorism in Northern Ireland*’ Fourth Report Vol.1, July 2002, p18

⁶³¹ Ibid, p12, para.15

⁶³² Ibid, p12, para, 14

⁶³³ Silke, A., ‘*In Defense of the Realm: Financing Loyalist Terrorism in Northern Ireland*, Studies in Conflict & Terrorism, Vol 21, 1998

⁶³⁴ House of Commons NIAC Report- ‘*The Financing of Terrorism in Northern Ireland*’ Fourth Report Vol.1, July 2002, p12

long acknowledged as a key sources of financing to support those involved in paramilitary activity in Northern Ireland.⁶³⁵

That being the case, some of the challenges to core assumptions around CTF may require to be revisited. Indeed in recent years, questions have arisen regarding the relevance and indeed logic of applying an anti-money laundering (AML) template to combat terrorist financing, given that 'crime for profit' logic⁶³⁶ was seen as contrary to the funding of politically and ideologically driven terrorism. The recent emergence of increasingly independent home-grown groups, perhaps enhances the relevance of an AML template to counter future terrorist financing predicated increasingly on fraud and debt defaulting. Thus, 'crime for profit' logic may be central to new funding regimes where the micro-financing of terrorism is derived increasingly from low level crime. Therefore, as the focus shifts to 'new terrorism', globalisation and the self-sufficiency status of terror group networks, the AML template may by default, prove to be particularly valuable in this new dispensation.

In assessing the 'lessons learnt' from previous UK CTF interventions and their relevance in combating current threats, perhaps the most important contribution is structural rather than tactical. The notion of employing a 'Whole of Government' approach to combating Irish terrorist group financing can be traced to the late 1980's. Indeed, it was recognised that delivering operational impact required multiple stakeholders and multi-disciplinary teams drawn from various government agencies to combat the multiple funding sources routinely exploited by Irish terrorist groups. As a precursor to the Threat Finance cells recently established in Iraq and Afghanistan, the composition of the RUC Terrorist Finance Unit in 1988⁶³⁷ included personnel drawn from a broad spectrum of government agencies including MOD Intelligence Analysts.

“If you consider how things have evolved, then we were well ahead of the game. We understood that the monies were being raised from several sources, although I suppose our main concern was in concentrating on the crimes. So we pulled together a team from various agencies. We had police, customs and tax investigators as well as lawyers, forensic accountants and officials. It was very much intelligence led,

⁶³⁵ Interviewee with Retired RUC Terrorist Finance Officer, March 2013

⁶³⁶ Warde, I., Op. Cit.

⁶³⁷ House of Commons Report- 'The Financing of Terrorism in Northern Ireland' Fourth Report Vol.1, July 2002, p10

which I suppose accounts for the role of Special Branch in setting the [CTF] agenda. But the big thing now when you look back, is how progressive this all was at the time. We had Defence [MOD] analysts on secondment to the Unit, this was 25 years ago. I know that Analysts are pretty much the norm now, but this was progressive stuff. The legislation was important here as well, we had strong, draconian powers I suppose, but these were needed and government should get the credit for putting this in place.”⁶³⁸

Whilst these structures are clearly important in acknowledging the multi-dimensional nature of the various sources of terrorist funding, it was also on the tactical side where there had been a significant appreciation of the need to include both macro and micro CTF interventions, given the breadth of the financing spectrum servicing both Loyalist and Republican groups. Indeed the micro sources of Irish terrorist financing included profits from the use of gaming machines, loan sharking, charities abuse as well as social security and construction sub-contractor tax fraud. These were supplemented with macro financing ventures such as extortion/protection rackets, drug trafficking, intellectual property crime, alcohol and tobacco smuggling as well as monies generated from various legitimate commercial enterprises and donations from diaspora communities.⁶³⁹ It is primarily the operational methodologies developed by RUC and PSNI CTF practitioners to understand and target small scale 'micro' financing initiatives that are perhaps most relevant and transferable in combating 'new' domestic threats and from which valuable operational lessons can be applied in dealing with emerging cell based entities.

Finally, however, just as there has been significant debate regarding the 'newness' of 'new' terrorism, so too have discussions emerged regarding the provenance of key aspects of current CTF practice. Contemporary UK responses to terrorist financing continue to draw heavily from a practitioner's toolkit, informed and conditioned by the effects of confronting the funding challenge from Irish terrorist groups. Ultimately, successful CTF is predicated on achieving the right policy, strategy, structures and partnerships to support the operational response. The Government's response to the financing of terrorism in Northern Ireland moved beyond a conventional law enforcement approach, based largely on detection, arrest, prosecution and punishment towards a new counter terrorism paradigm. This included the primacy of '*intelligence*' to provide insight into the activities of

⁶³⁸ Interview with Retired RUC Terrorist Finance Officer, March 2013

⁶³⁹ House of Commons NIAC Report- '*The Financing of Terrorism in Northern Ireland*' Fourth Report Vol.1, July 2002, p13

paramilitary groups, urging greater use of technology to analyse and predict terrorist behaviour. It also included a commitment to '*joint working*' between law enforcement and other government agencies and with the private sector, together with '*combined strategies*' and an emphasis on '*legitimacy*'; ensuring that government actions are ethical, accountable and supported in law.⁶⁴⁰ The continued relevance of each of these themes has been addressed in this thesis, including the ensuing debate on FININT which seeks to fuse the emphasis on both '*intelligence*' and '*legitimacy*'.

Whilst more than a decade has passed since this framework was developed to combat Irish terrorist groups, the current UK CTF policy, structural and operational response borrows heavily from this template. This is perhaps unsurprising, given that the principles that underpin the practice remain unchanged. CTF is ultimately based on denying an adversary the means to fund acts of terrorism or wage war. What has emerged therefore is a sense that we have been here before. The operational terrain looks strikingly familiar. Clearly technology has shaped and informed recent operational practice, it is still about understanding how funds are raised, stored and moved and framing strategies to inhibit supply. What is distinct and unique of course is the emphasis counter terrorism investigators now place on the value of financial intelligence. This is arguably where developments in CTF practice spawned from intelligence interventions in Northern Ireland are most relevant in combating current UK domestic threats.

“Because terrorist financing has always sat with Special Branch and more recently Intelligence Branch, we have always been more interested in looking at the intelligence opportunities available. It’s just how things are. I suppose it’s in our DNA. So whilst our [UK] colleagues have adopted more of a hybrid approach to terrorist financing, with more of a focus on criminal justice solutions I would say, we have been leading the way in using financial intelligence for a whole variety of purposes linked to covert work. So for us, it’s about collection, about widening our reach to collect financial and open source material and now social media material to compliment other assets. It’s how we now use this material that I suppose is of most interest to the [UK] CTFI [Counter Terrorist Financial Investigation] community. So I would say that it is here that we can contribute most and pass on our experiences in dealing with TF.”⁶⁴¹

Theme 5 - Financial Intelligence (FININT)⁶⁴²

⁶⁴⁰ Ibid p28

⁶⁴¹ Interview with Police Service of Northern Ireland Officer, 11 March 2013

⁶⁴² This section borrows heavily from previous research undertaken by the author for the article '*Financial Intelligence*:'

The purpose of this thesis is to determine whether CTF remains a viable operational asset in combating new terror threats and in this case, to consider how recent developments in CTF practice and primarily the emphasis on financial intelligence collection, can add value to national security and public safety. Whilst evidence from the interview sessions clearly endorsed financial intelligence (FININT) as a key operational tool, it also captured the concerns that are emerging from practitioners regarding the prospect of enhanced regulation of financial data collection.⁶⁴³ This is reflected in the momentum for additional scrutiny from those commentators opposed to the increasing reliance on digital surveillance and financial data mining for security interventions generally. Indeed, it is acknowledged that the pace of technological development has prompted a wider ethical and legal debate around information surveillance and its impact on privacy and individual liberty. Critics are concerned that crime control values tend to predominate where law enforcement seeks to influence public policy and as such greater cognisance should be taken of the creeping intrusion of digital data mining as a cornerstone of UK security policy. By acknowledging the intrusive nature of financial intelligence collection, any consideration of the emergence of FININT to inform future CTF practice must therefore be considered from a surveillance studies perspective.

New threats and challenges inevitably spawn new responses. As such, greater emphasis has been placed on emerging digital technologies and risk based calculative models as key assets to counter terrorism. These techniques rely heavily on technology and mathematical modelling to mine data and map normal patterns of behaviour in order that deviations can be identified and targeted accordingly. For Amoores and De Goede,⁶⁴⁴ the imperative to harvest public and private sector data and to “join the dots” of terrorism risk, raises important questions for both social scientists and counter terrorism practitioners alike. Lyon⁶⁴⁵ proffers some explanation for why surveillance has emerged as an area for sociological study and sees this expansion as the product of four key themes; coordination, risk, privacy and power. It is with regard to risk however, that the linkages with exploiting

A Price Worth Paying? M Parker M., & Taylor, M., in *Studies in Conflict and Terrorism*, Vol. 33, Issue 11, October 2010

⁶⁴³ Interviewees 1,2,&4

⁶⁴⁴ Amoores L., & de Goede, M., Op. Cit.

⁶⁴⁵ Lyon D, *Surveillance Studies: An Overview* Polity Press UK, 2007, p17

FININT are most relevant. By definition, the harvesting of financial intelligence by law enforcement and intelligence services is now so prevalent that it is a core feature of contemporary security practice.

The emphasis on the collection of personal information including financial data is rooted in the notion that security interventions should be 'intelligence led'.⁶⁴⁶ Given that the pursuit of personal data and the pace of development around its collection and sharing now exceed our understanding of the consequences, several key research questions emerge. It is primarily the capacity of these new knowledge based economies and particularly their digital information infrastructures and their potential for networking that require further examination. Confronting the terrorist threat now routinely involves the collection, classification and analysis of financial information and other personal data. However, it is precisely this access to data analysis programmes which focus on financial risk assessments, automated screening and telecom link analysis which raise much wider questions around sovereignty and governmentality.⁶⁴⁷ Questions also arise around the increasing emphasis on information surveillance generally, new intelligence collection methodologies and the implications of exploiting digital technology and using private information for the purposes of governance and national security.

Several core themes have emerged in recent years in the quest to counter the funding of terrorism which challenge the notion of liberal governance. These include the increasing reliance on, and use of personal information by the state as a tool for subsequent risk analysis. In addition, pre-emption and the precautionary principle have now evolved within broader counter terrorism policy. Given that CTF as a concept has evolved in recent years from developments in data surveillance, questions are now emerging regarding the utility of financial surveillance as a means to counter terrorism and whether such measures can influence terrorist operations and fundamentally impact their organisational apparatus.⁶⁴⁸ This Chapter addresses the emphasis now given to FININT and financial surveillance for CTF, whilst acknowledging the underlying challenges to liberty and privacy as a consequence of enhanced data surveillance generally.

⁶⁴⁶ The *National Intelligence Model*, (NIM) www.npia.police.uk accessed 7/8/09

⁶⁴⁷ Amore L. & De Goede, M., Op. Cit., p7

⁶⁴⁸ Vlcek W., Op Cit., P.100

Digital Surveillance and Intrusion

Significant surveillance opportunities have emerged from developments in information technology and the capacity of networked systems. Just as social media has transformed social protest movements⁶⁴⁹ law enforcement and intelligence agencies have benefited enormously from these new digital opportunities by accessing those flows of personal data that regulate and monitor a variety of human interactions and activities. With the advent of globalisation, these modes of surveillance are now sufficiently flexible to track the movements, and general lifestyle preferences of individuals.

In this context therefore, surveillance refers to the “*collection and processing of personal data, whether identifiable or not, for the purposes of influencing or managing those whose data have been garnered.*”⁶⁵⁰ Thus in contemporary terms, surveillance is more likely to involve automation and encompasses not only the use of monitoring and recording technology, but also the record of our communications in the digital age – the “electronic footprint” which defines our daily lives.⁶⁵¹ Whilst data mining technologies have emerged as a key feature of contemporary society, there remains a visceral sense that their full scope and potential are deeply intrusive. The public’s unease with data mining is perhaps best understood as the expression of some intuitive understanding that their privacy is under threat.⁶⁵² Every electronic interaction, financial transaction, and search string on a Web browser is capable of being audited and time stamped for future exploitation by both the state and private organisations. Data mining underscores the central role that surveillance technologies now play for law enforcement around risk and security. For some commentators, surveillance technologies are the backbone of data mining, providing those disparate streams of information which populate data sets and which are in turn fed into various algorithms from which the quest for patterns, trends and typologies begins.⁶⁵³

⁶⁴⁹ The use of Social Media was established as a feature of the Arab Spring 2011 and the Loyalist Union Flag Protests in Northern Ireland in December 2012.

⁶⁵⁰ Lyon D., ‘*Surveillance Society: Monitoring Everyday Life*’, Issues in Society, Open University Press USA, 2001, p14

⁶⁵¹ Information Commissioner Part 2 HOC Home Affairs Fifth Report, 8 June 2008, www.parliament.uk, accessed 6 July 2009

⁶⁵² Millar J., ‘*Core Privacy: A Problem for Predictive Data Mining*’ in ‘*Lessons from the Identity Trail: Anonymity, Privacy and Identity in a Networked Society*’, OUP, 2009, p103-119

⁶⁵³ Ibid

There are two broad categories of data mining: *descriptive* and *predictive* data mining. Whereas the former is concerned with describing the general properties of the existing data, the latter seeks to make predictions based on inference from the original dataset. It is predictive data mining that is most relevant to law enforcement and intelligence agencies and used routinely for risk profiling and from which opportunities to counter terrorist financing through FININT may develop. When new information platforms emerge, it often takes time before suitable infrastructure evolves to capture, analyse and interpret the data. Analysing FININT; seeking to draw meaning and understanding from the data itself, now presents a considerable challenge. Typically new forms of data collection focus on establishing situational awareness; 'what' is happening, 'when, 'where' and to 'whom'. This should then be used to consider hypotheses and to elicit explanations and lead to predictive judgements and modelling of 'what if' scenarios.⁶⁵⁴ From a law enforcement and intelligence collection perspective, it is the intrusive harvesting of financial data and more recently social media intelligence to which most attention is now focused. Given practitioner concerns regarding anticipated future regulation of financial intelligence collection, any evaluation of FININT must acknowledge the impact of the data revolution on liberty, justice and individual privacy.

The concept of a 'surveillance society' is typically considered in pejorative terms, invoking a sinister perception in which the authority and reach of the state is considered all pervasive. Yet contemporary society is suffused with surveillance in the sense that the acquisition and use of personal data is a by-product of the digital age. As such, the surveillance society is best thought of as a response to the growth of bureaucracies; the outcome of modern organisational practices, businesses and government, rather than a covert conspiracy.⁶⁵⁵ In the context of this thesis, surveillance is considered in narrower law enforcement or intelligence terms, with an emphasis on the focused collection, storage and analysis of data on specific nominals, rather than the use of aggregated data. The collection of personal data is a product of governance and how contemporary society is now ordered and regulated. This inevitably throws up ethical and human rights concerns on how such data is managed, stored and used. The data revolution has spawned many

⁶⁵⁴ Omand D., Bartlett J, & Miller C., '*# Intelligence*', Demos, 24 April 2012, www.demos.co.uk, accessed 22 February 2013, p51

⁶⁵⁵ Surveillance Studies Network, '*A Report on the Surveillance Society*', September 2006, para 1.3, p1

unintended consequences and there is a gap emerging in our understanding of the long-term implications of the pace and outcome of these developments. We are simply unsighted on the consequences of networked surveillance. It is precisely this capture of personal data, which in turn is used to map individuals according to defined criteria whether income, attributes, behaviours or preferences that is the focus of recent interest.⁶⁵⁶

For Lyon, those societies that are dependent on communication and information technologies for administrative and control processes are intrinsically surveillance societies.⁶⁵⁷ Indeed, contemporary society is now characterised by a programme of systematic and routinised surveillance from a variety of platforms. Such surveillance has emerged as a core characteristic of modern society and is wedded to the pace of technological developments around the collection, storage, and retrieval and processing of information generally. There has been a significant shift in recent years in the tactics used to combat terrorist financing, away from a reliance on 'macro' technocratic measures such as account monitoring or asset freezing towards an increasing emphasis on the “electronic and digital footprint” and access to vast reserves of personal data. The commercial sector has been the stimulus for these developments, recognising the competitive advantage which such data affords to target customers and enhance marketing opportunities. Similarly, government has not been slow in embracing these developments in its pursuit of greater effectiveness, not least in the fight against crime and terrorism. The net result of these developments has been an increase in the volume of personal data collected, analysed and stored.

The pace of technological development in terms of the collection storage and use of personal information has enabled the private sector to tailor its marketing and communications at particular groups of consumers. This has led to an increasing reliance on digitally supported means of decision-making generally⁶⁵⁸ and created expectations for government from the public, regarding the ability to process information and deliver personalised services similar to those in the private sector, particularly in the context of healthcare, border control, crime prevention and harm reduction. The *'Information Sharing*

⁶⁵⁶ Lyon, D. Edt, Op. Cit, p3

⁶⁵⁷ Ibid, p12

⁶⁵⁸ Part 3 House of Commons Home Affairs Fifth Report of Session 2007/08, ‘*A Surveillance Society*’ 8 June 2008, para 52, www.parliament.uk accessed 24 July 2009

*Vision Statement*⁶⁵⁹ acknowledged the need for safeguards around data collection generally. The foundation for surveillance technologies is the database and the financial sector provides a key dataset for exploitation by law enforcement and intelligence agencies. The scale of data collection and storage has expanded exponentially in recent years. The emphasis on e-banking, electronic transfers and credit reference agencies has intensified the interest in financial information as a primary intelligence asset. The “digital footprint” in CTF terms is best understood in the context of the “financial footprint” with more payments transacted in the UK using debit or credit cards than cash.⁶⁶⁰ Whilst each of these account holders represents a potential intelligence dividend in itself, when mapped over credit reference and other commercial data, they provide a key starting point for investigators.

Government has been quick to exploit the opportunities afforded by technology⁶⁶¹ by capitalising on those private sector developments and applying them to transactional activities and reforming corporate services and infrastructure.⁶⁶² However, in response to these developments, the Home Affairs Committee embarked on a wide-ranging enquiry into the growth of both public and private sector databases and those forms of surveillance directly related to the remit of the Home Office.⁶⁶³ The focus of the Inquiry was in addressing the parameters of legitimate state activity and what constituted unacceptable levels of intrusion. Indeed the Committee examined the wider benefits of surveillance in terms of public services and public safety vis-à-vis the inherent risks in terms of data error, mis-identification and the stewardship and security of sensitive personal information.⁶⁶⁴

Whilst FININT can be exploited as a key intelligence asset, its real value is as part of a suite of surveillance technologies which are available to law enforcement, intelligence services and the military. Indeed database development is now a key feature of public services infrastructure enhancement. The Surveillance Studies Network Report⁶⁶⁵ highlighted the overlapping advances in telecommunications, audio-visual recording,

⁶⁵⁹ *Information Sharing Vision Statement* HM Government, Department for Constitutional Affairs, September 2006

⁶⁶⁰ ‘Britain moves away from Cash’ www.paymentscouncil.org.uk/media, accessed 21 February 2013

⁶⁶¹ HM Government, ‘Transformational Government 2006: Enabled by Technology’ January 2007

⁶⁶² *HOC Home Affairs Fifth Report*, Op. Cit., p3 Part 2

⁶⁶³ Ibid

⁶⁶⁴ Ibid, Part 1

⁶⁶⁵ ‘The Surveillance Studies Network :A Report on the Surveillance Society’ 2006’, para 9.1

digitisation and tracking technologies. It is the synergy derived from these interactions and exchanges which give real weight and context to financial data and the capacity for financial surveillance. The ubiquity of the database has revolutionised surveillance potential. Strategic partnerships between state agencies and the private sector have strengthened in recent years and increasing emphasis is placed on the utility of “dataveillance”.⁶⁶⁶ The harvesting of data now extends to financial transactions, Internet shopping, television viewing preferences and telecommunications. Further information can be extracted from web site cookies, customer loyalty programmes and most significantly perhaps, from social networking platforms. The collation, use and storage of personal data have now resulted in the emergence of a personal information economy.⁶⁶⁷

Law enforcement understands the opportunities that exist in mapping private sector 3rd party information over data extracted from government databases, NGO’s and specialist data collection companies. There are however, inherent dangers in relying too heavily on consumer data, particularly where the data has been refined, processed and categorised for commercial purposes. Whilst geographic and demographic data are often most relevant to law enforcement in establishing locations, internet URL’s and domain names, lifestyle data and consumer behaviour information whilst valuable in certain contexts, require a more cautious approach. Whilst this thesis is concerned with understanding how financial intelligence is used to target ‘Subjects of Interest’, obvious research questions emerge from the use of private sector data, not least the extent to which surveillance which historically had a narrow targeting spectrum has now been extended to include the majority of citizens. The implications for the subsequent stratification, categorisation and social sorting, therefore requires further examination. Research opportunities also exist in exploring the applications for law enforcement of new data-mining techniques developed for commercial purposes, particularly those developed to extract ‘clusters’ of data indicating patterns and linkages within a particular data set. In addition, greater understanding is required of the potential application by law enforcement and intelligence services of ‘heuristic’ processes of data mining or Knowledge Discovery Databases (KDD) and their role in discovering previously unknown or non-obvious relationships.⁶⁶⁸ It is assessed that these techniques

⁶⁶⁶ Clarke R. ‘*Information technology and dataveillance*’ Communications of the ACM, Vol 31, Issue 5, May 1988

⁶⁶⁷ Dyson E., et al, ‘*Cyberspace and the American Dream*’ The Information Society, 12: P295-308, 2005

⁶⁶⁸ Surveillance Studies Network, Op. cit., p21

highlight patterns of behaviour and predictions of future behaviour within a reasonable range of accuracy.⁶⁶⁹

The Operational Value of Financial Intelligence

Financial data mining is used increasingly by investigators to shape their understanding of events and incidents. It has proven to be particularly useful to map the various phases of terrorist incidents and to establish identity and lifestyle for risk identification and categorisation purposes. The question of whether FININT and financial surveillance are effective in combating the financing of terrorism is complex. Technocratic solutions such as asset freezing, account monitoring, sanctions lists and enhanced regulation, all have a role to play, however the emphasis on criminalising the financing of terror using AML templates can obscure the impact of such programmes as the collection methods are not in themselves distinctive. Only by linking the sources of funding to the final act can any viable assessment be made. Current UK public policy on CTF must contend with significant changes in terror cell funding in recent years and the real value of financial data and financial surveillance in this context is present uncertain.

What is clear however, is that financial data has long been endorsed by the UK Treasury, law enforcement and intelligence agencies,⁶⁷⁰ and that this has resulted in the emergence of a new security paradigm in which financial borders are best understood as a “complex assemblage” in which private institutions in conjunction with government regulators and law enforcement are in effect authorised to make security decisions.⁶⁷¹ It is increasingly the former to whom most responsibility falls with the banking sector for some commentators, having assumed proxy sovereign status on behalf of the state.⁶⁷² Others chart the emerging relationships between private data and technology companies and government security programmes and the emergence of a *de facto* intelligence infrastructure in which private companies play a full and active role.⁶⁷³

⁶⁶⁹ See Tavani, H. T., ‘KDD, data mining and the challenge for normative privacy.’ *Ethics and Information Technology* 1:265-273, 1999

⁶⁷⁰ HM Treasury, 2007, Op. Cit., p3

⁶⁷¹ de Goede M., ‘Risk, Preemption and Exemption in the War on Terrorist Financing’ in Amoore L., & de Goede, M., ‘Risk and the war on Terror’, Routledge, Taylor and Francis Group, 2008, p100

⁶⁷² Ibid, p103

⁶⁷³ O’Harrow R., Op. Cit.

Within the UK, it is the widespread promulgation of the “risk based approach” that has placed the financial institutions at the centre of efforts to combat the financing of terrorism. This role has recently been formalised with the 3rd European Union Money Laundering Directive. De Goede attributes this extension of authority to financial institutions, as part of a wider process of engaging various societal groups to combat terrorism through proscribed security action.⁶⁷⁴ The information acquired by financial institutions under this regime, particularly in respect of “*customer due diligence*” (CDD) and “*know your customer*” (KYC) provisions, provides a rich resource of first phase investigative data that can now be fused with security mandates to progress CTF interventions. As a result, de Goede is particularly critical of the shift in recent years from the primary objective of CTF; that of restraining the flow of funds for the purpose of terrorism, to the emerging emphasis on the mining of financial data for wider security interventions.⁶⁷⁵

The developing methodologies around the ordering and assessment of money flows through automated risk modelling and the designation of financial associations through social network analysis have become the focus of recent criticism.⁶⁷⁶ There is little doubt that social network analysis has been used increasingly in recent years to mine financial data and map terrorist networks. Such data has the capacity to link people to people, people to places and people to events. It often provides low classification corroboration material for more sensitive forms of intelligence and the veracity of the data is seldom disputed. Furthermore, it affords investigators, the possibility of mapping both pre and post-incident hypotheses. Whereas the utility of this data has largely been considered beneficial for retrospective evaluation and investigation, the focus in using this type of data has now shifted to pre-emptive targeting and disruption. The goal now is to target the planning phase, thwart the incident and prosecute the conspirators. This however needs to be set against the increasingly sterile financial ‘footprint’ used by the most recent attack cells.

The current emphasis on financial data is linked in part to the nature of the current terrorist threat. New perceptions and categorisations of the threat have inevitably resulted in the

⁶⁷⁴ de Goede M., 2008, Op. Cit.

⁶⁷⁵ Ibid, p105

⁶⁷⁶ Ibid, p100

quest for a new set of countermeasures. Whereas the emergence networked structures has highlighted the value of social network theory and network analysis to assist investigations, further quantitative methods for intelligence analysis have as indicated been used by military analysts deployed within Threat Finance Cells to combat insurgent financing. It is however, the organisation and structural configuration of “new terrorism” that stimulates most discussion regarding future counter terrorist finance initiatives. The UK CTF policy template confirms that the mandates typically governing these interventions have largely focused on the funding of military operations, weapons procurement, and the maintenance of organisational infrastructure. Thus any significant changes to how terror groups or cells are structured and financed must be factored into those strategies seeking to impact new mutations of the threat and includes the use of new digital assets and analytical methods.

Concerns have been expressed regarding the over extension of these data mining practices and suggestions that they have in recent years exceeded their stated objectives by contributing to extra judicial security action.⁶⁷⁷ The crux of the argument centres on the fact that pursuing terrorist finances through targeted money flows enables specific persons to be pre-emptively targeted and disrupted. CTF practice has seemingly evolved to include executive action against those who whilst not necessarily guilty of criminal behaviour or against whom there exists sufficient evidence to warrant a prosecution, an extra judicial opportunity to frustrate their endeavours where a perceived threat to public safety exists. De Goede⁶⁷⁸ further examines the practices and politics that govern the pursuit of terrorist financing and focuses on the “finance-security assemblage” the ensuing transnational architecture of laws, institutions, treaties and private initiatives that contribute to CTF.⁶⁷⁹ Revisiting the themes from her previous research,⁶⁸⁰ she again focuses on the pre-emptive logic as the heart of this “assemblage”. This is supplemented by examining the concept of criminalising “association” and those networks developed through financial data to target people, organisations and spaces. It is difficult to endorse some of the conceptual claims derived from her empirical research, not least the notion that the West’s pursuit of suspected terrorist finances is predicated on broadening the “temporal and spatial range of

⁶⁷⁷ Ibid, p99

⁶⁷⁸ de Goede, M., ‘*Speculative Security: The Politics of Pursuing Terrorist Monies*’ University Of Minnesota Press, 2012

⁶⁷⁹ Ibid, p28

⁶⁸⁰ Amore, L., & de Goede, M. Op. cit., p7

their techno-militaristic governmental apparatus”⁶⁸¹ by affording governments greater control over individuals, organisations and the routine activities of every day life. Ultimately however, those financial practices and interventions of which she is most critical are from a CTF practitioner’s perspective, spawned more by concerns to identify threats, assess probabilities and to develop control and disruption counter strategies.⁶⁸²

Privacy: Reconciling Liberty and Security

Clearly, any consideration of the operational utility of FININT and financial surveillance to assist CTF interventions is inevitably bound up with questions regarding the impact which collection technologies pose for liberal governance and the balance required in reconciling liberty with security. However, as indicated previously, these concepts are inextricably linked and important questions have emerged regarding the impact which these technologies pose for privacy and human rights generally, including proprietary ownership of such data and the limitations on its use for state and commercial purposes. There is recognition that privacy plays an important role in the social contract between the citizen and the state. Indeed the relationship which exists between the collection of personal data and the trust of the public is recognised by both public and private sectors and somewhat disturbingly, there has perhaps been a greater incentive in the past to have more robust arrangements in place to protect private sector information where breaches of confidence and trust can be evidenced tangibly through loss of revenue and trading.⁶⁸³

More recently in addition to the concerns regarding the intrusive nature of FININT collection, attention has shifted to the digital intelligence opportunities from social media monitoring. As social media becomes an increasingly important form of communication, this has enhanced the debate on collection methodology and prompted calls for new relationships with industry, academia and legislators. The digital revolution has transformed the ways in which we engage and interact, with more of our lives and activities transferred to new digital social spaces. Like FININT, social media intelligence now challenges current notions of privacy and consent. These technologies resonate more with

⁶⁸¹ Christophers B., Review of ‘*Speculative Security: The Politics of Pursuing Terrorist Monies*’ University Of Minnesota Press, 2012 in ‘*Society and Space*’, www.societyandspace.com/reviews/de-goede, 24 October 2012

⁶⁸² Interview with CTF practitioner No.1, London, 24 March 2011

⁶⁸³ HOC Home Affairs Fifth Report, 2008, Part 3, Op. Cit., para 56

the public given their visceral understanding of the capabilities of these platforms more so than financial audits. Furthermore like FININT, analysis of social media for intelligence purposes does not fit easily into the policy and legal frameworks that guarantees that such activity is proportionate, necessary and accountable.”⁶⁸⁴

The authors of the Demos Report⁶⁸⁵ offer a new framework for how UK law enforcement and security authorities can collect and use social media intelligence in a way that is both effective and ethical, whilst simultaneously serving the public and respecting the right to privacy. Acknowledging that social media intelligence (SOCMINT) can play a key role in keeping the public safe, the authors argue that this should now be a permanent part of the intelligence framework, albeit based on “*a publicly argued legal footing, with clarity and transparency over its use, storage, purpose, regulation and accountability.*”⁶⁸⁶ They advocate a ‘dual-route’ approach which distinguishes between open source, non intrusive SOCMINT that would not allow for the identification of individuals or as a means of facilitating criminal investigation and intrusive or surveillance SOCMINT that conversely would be intended for the purposes of accessing private information. The spectrum of access would therefore range from the collection of publicly available information to the interception and analysis of personal communications. Given developments in digital surveillance, it is suggested that access to SOCMINT now needs to be governed by a new legal framework that regulates the association between harm, privacy, authorisation, agency and cause.⁶⁸⁷ In the context of potential future constraints on the collection of financial data, CTF practitioners are similarly concerned that the current debate regarding new legal frameworks for SOCMINT may in due course lead to greater regulation of FININT for insight and intelligence purposes.

*“Consistent with Britain's modern approach towards national security, the work of the intelligence agencies and law enforcement is made easier when the public broadly understands and accepts why, when and with what restrictions intelligence and police work is undertaken.”*⁶⁸⁸

⁶⁸⁴ www.demos.co.uk/publications/intelligence, accessed 25 February 2013

⁶⁸⁵ Demos is a UK Policy Think Tank. See Report by D. Omand, J Bartlett & C Miller, ‘# Intelligence’, Demos, 24 April 2012, www.demos.co.uk, accessed 22 February 2013

⁶⁸⁶ Ibid, see www.demos.co.uk/publications/intelligence, accessed 25 February 2013

⁶⁸⁷ Ibid

⁶⁸⁸ Ibid, p63

CTF Data Mining

In practical terms, what then is the scale and scope of this data mining? Financial surveillance affects individuals in a number of ways. These include basic account opening procedures, access to financial services and the transfer of funds, whether domestically or internationally. Much of the enhanced due diligence exercised by the institutions is the product of previous money laundering regulations enacted to address serious and organised crime. In an effort to target the proceeds of crime, the Financial Action Task Force (FATF)⁶⁸⁹ set international standards for the governance of financial institutions and published its core recommendations in 1990, subsequently revised again in 1996 and 2003. These recommendations have had a significant impact on financial surveillance. Central to these recommendations are the concepts of “customer due diligence (CDD) and “know your customer” (KYC) which requires financial and relevant non financial institutions to maintain verifiable data on customer identity, business relationships, transaction information and sources of funding.

In October 2001, FATF extended its remit to include further recommendations on terrorist financing which primarily sought to criminalise the financing of terrorism and to freeze and confiscate terrorist assets. Crucially however, FATF also advocated measures to strengthen customer identification measures in international and domestic wire transfers. This was supplemented further in April 2002 with “*Guidance for Financial Institutions in Detecting Terrorist Financing*” which contained lists of characteristics of financial scrutiny that may be cause for increased monitoring and attention. These focused on accounts, withdrawals and deposits, wire transfers, characteristics of the customer and transactions linked to locations of concern.⁶⁹⁰ Subsequent FATF Typologies Reports provided further material for law enforcement and intelligence services to identify trends and methods of money laundering and terrorist financing in an effort to develop effective counter strategies and inform public policy generally. Collectively these measures have contributed to a de facto regime of global financial governance that emerged post 9/11 and illuminated the potential intelligence opportunities provided by financial data and financial surveillance.

⁶⁸⁹ See www.fatf-gafi.org accessed 1 July 2009

⁶⁹⁰ FATF, Special Recommendations, Annex A, ‘*Guidance for Financial Institutions in Detecting Terrorist Financing*’, April 2002

Indeed, in June 2006, the New York Times published an article uncovering an international financial surveillance programme sanctioned by the US government in which international wire transfer data was acquired by federal agencies for the purposes of investigating terrorist activity.⁶⁹¹ The Society for Worldwide Interbank Telecommunication (SWIFT), which provides a messaging infrastructure to the global banking community, acknowledged its role in responding to compulsory subpoenas from the US Treasury and cooperating to prevent illegal uses of the international financial system. The potential scale of financial surveillance, which can be now exploited by law enforcement, is best understood when considering the scope and reach of the SWIFT's remit. The organisation currently provides financial messaging services and information software to more than 10,000 institutions in 210 countries and territories and audits in excess of 2.6 billion messages annually linked to payments, securities and trade.⁶⁹²

Concerns were inevitably expressed within Europe over the possible levels of intrusion from these developments and US Treasury officials were quick to clarify the nature of these requests. On 23 June 2006, Stuart Levy, US Under Secretary for the Office of Terrorism and Financial Intelligence confirmed the narrow counter terrorism parameters and legal basis on which the information was sought.⁶⁹³ The civil liberties organisation, 'Privacy International' stated that the disclosure of this data also affected the United Kingdom with an estimated 4.6 million financial records sent annually to the US security services via secret agreement over the duration of the programme.⁶⁹⁴

Law enforcement agencies traditionally work from a data collection template which is tiered depending on the nature of the investigation. Vast amounts of information are now readily accessible through credit reference agencies; financial institutions, retail sector loyalty schemes and Internet trading which collectively document consumer behaviour and lifestyle preferences. When this data is then mapped over information from organisations which operate search engines and which can in turn link individual users, there are huge

⁶⁹¹ Privacy International, '*Pulling a Swift One? Bank transfer information sent to US authorities*', 27/06/06, accessed 1/7/09 www.privacyinternational.org

⁶⁹² See www.swift.com/annual review-2011, accessed 28 February 2013

⁶⁹³ Privacy International, Op. Cit.

⁶⁹⁴ Privacy International, '*PI estimates over 4 million records sent each year to US*', 6/07/06, accessed 1/7/09 www.privacyinternational.org.

dividends for law enforcement and intelligence agencies. Such benefits now typically include “smart borders”, passenger profiling which in turn is used to create government “watch lists” for specific targeting and monitoring. The 'data revolution' has thus enabled information from various databases to be matched to create data- sets and mined to link information on individuals and to create subject profiles using algorithms to sort groups and individuals according to behaviour, activity or preferences.⁶⁹⁵

It is acknowledged that a government’s primary duty is to protect the lives and property of its citizens. However when subject to security threats, government must seek to balance the provision of adequate security and counter terrorism measures with respect for and compliance with, its civil liberties and human rights obligations. When threatened by acts of terrorism, the default position of many democracies however, is the adoption and implementation of a range of measures which often lay challenge to these wider libertarian and societal values. Striking the balance is often a crucible for government with legislative exuberance and overreaction a greater threat to democracy rather than specific acts of terrorism per se.⁶⁹⁶ These measures typically involve tightening existing security bureaucracies and supplementing its legislative provisions. Crucially however, counter terrorist programmes now involve a range of actors including private sector organisations and CTF programmes that focus increasingly on harvesting financial information have emerged in recent years as significant intelligence contributors. Engagement with the private sector in the UK is now increasingly the norm, with financial institutions in particular seen as key partners in confronting these new security threats and assisting law enforcement accordingly.

As with most phenomena, surveillance from financial data mining can be categorised in terms of risks and benefits. The process of surveillance can both enable and constrain and can simultaneously involve care and control. It can be both benevolent and discriminating. The benefits of surveillance for the citizen are often real, palpable and undeniable.⁶⁹⁷ The real challenge therefore is in reconciling liberty with new security interventions, a cry echoed in Dominic Raab's lament for Britain’s lost liberal democracy.⁶⁹⁸ For Raab, the

⁶⁹⁵ Part 4 HOC Home Affairs Fifth Report, Op. Cit., para 112

⁶⁹⁶ Wilkinson, P., *‘Terrorism versus Democracy: The Liberal State Response’* London: Frank Cass, 2006, p94

⁶⁹⁷ Lyon, D., Op. Cit., p14

⁶⁹⁸ Raab, D., *‘The Assault on Liberty: What Went Wrong With Rights’* Forth Estate, 2009

growth of data surveillance has contributed to the erosion of civil liberties generally and further challenges the relationship between the state and the individual. These themes also find expression in the United States, where the American Civil Liberties Union (ACLU) cautions against growing surveillance capacity, and cite the “*erosions in protections against government spying, the increasing amount of tracking being carried out by the private sector and the growing intersection between the two.*”⁶⁹⁹ Yet surveillance is now proliferating in every sphere of social activity at a pace that inevitably results in breaches of security around the control of personal data. Those organisations that monitor and record our daily activities, do so largely in the context of managing and mitigating risk. The current emphasis on risk management now requires greater access to personal data in an effort to target resources more effectively. Forecasting trends and future behaviours is now a fundamental aspect of both the commercial and public security domains. Surveillance in all its forms, including access to financial data, is the means by which knowledge is collected for the purpose of managing risk.

Commercial and government infrastructures have enhanced their surveillance capacities in recent years as a result of technological developments around data collection generally. Surveillance capacities have expanded at an exponential rate which is now outstripping those legal and political efforts to understand their wider social implications.⁷⁰⁰ This has prompted renewed discussions on privacy-invasion, privacy-protection and existing data protection legislation. More importantly perhaps, there is now a renewed focus on the accountability of data handlers. The chief concern is that individual citizens have little control over the collection and use of personal data and are seriously disadvantaged at limiting the impact of surveillance. Government databases, like those in the commercial sector, are now routinely used to target risk through social sorting. Categorising individuals or groups or 'social sorting' is crucial to understanding information surveillance. In the context of the former, these are used increasingly for crime control and national security, however they are often accompanied by unintended consequences, often the product of joined-up government, utility and services outsourcing and the emerging ascendancy of actuarial practices.⁷⁰¹

⁶⁹⁹ ACLU, ‘*Is the US turning into a Surveillance Society?*’ www.aclu.org/privacy/gen. Accessed 1/7/09

⁷⁰⁰ Lyon, D., Op. Cit., p14

⁷⁰¹ Surveillance Studies Network, Op. Cit., p8

Conclusion

As the volume of raw data about our lives continues to grow exponentially, so too does the need to mitigate potential intrusions on privacy and consent. CTF operational practice has encouraged the use of financial intelligence collection to establish identity, behaviour, lifestyle and networks as many of the CTF FININT practices are merely an extension of the tradecraft refined from financial crime investigation and intelligence procedures developed under previous AML frameworks. Data collection by law enforcement is a natural consequence of the changing financial and technological landscape. The opportunities provided by the Internet and the ensuing vulnerability experienced by state agencies has enhanced the focus on data collection. From a financial crime perspective, opportunities have migrated from the substantive physical to the “cyber” environment as law enforcement now contends with e-banking and e-commerce abuses.

Whilst the evidence in Chapter Four indicates increasing reliance on financial intelligence collection, not only for CTF, but also for counter terrorism and serious crime investigations generally, it is anticipated that FININT will evolve in tandem with the emphasis on 'Big Data' generally. The pattern and trend analysis derived from 'Big Data' which currently shapes our understanding of behaviours, preferences and intentions, will be central to effective law enforcement and assist in identifying new threats and keeping communities safe. Those techniques which are presently being developed and refined for retail and marketing purposes through systems that allow data to be collected by multiple sources and used in multiple data layers, will increasingly migrate to police and intelligence work. It is likely therefore, that FININT will complement new forms of data collection by triangulating social media and more traditional sources of intelligence.⁷⁰² Whilst there has been some criticism that public safety and law enforcement communities are using social media analytics in a vacuum,⁷⁰³ the real value to future interventions is in fusing emerging FININT and SOCMINT with traditional platforms but also with incident management systems, intelligence analysis software and geographic information systems than can

⁷⁰² Primarily Human and Communications Intelligence.

⁷⁰³ Sorin, A., 'Using Social Media Monitoring to Enhance Public Safety', 5 February 2013, www.securityinfowatch.com, accessed 28 February 2013

interpret and illustrate the connectivity and relevance of the data. This will require a shift in the skills of those analysing and using the data in order that valid inferences and conclusions might be drawn.

The “observation architecture” that is developing around private citizens now exceeds financial data alone. The US in particular has been at the forefront of seeking to exploit the data surveillance opportunities also provided by commercial data. Within Europe, however, the European Union Data Privacy Directive⁷⁰⁴ established a regime of data privacy for EU nationals including limits on the use of their personal information by private actors.

Vlcek⁷⁰⁵ stresses however that this is rooted more in the lack of commodification of personal data rather than any absence of collection. Indeed Europe has not been slow to promote data collection as a means to enhance its security apparatus and the threat from ‘new terrorism’ has arguably accelerated the intrusion by state agencies.⁷⁰⁶ The sense of public outrage and vulnerability particularly in the wake of recent domestic attacks in the UK has perhaps resulted in less scrutiny of legislative measures and the extension of financial surveillance. The ensuing expansion of the reporting and compliance obligations on financial institutions was expanded to include those quasi financial actors; the professions and businesses that could theoretically facilitate money laundering beyond the parameters of the formal banking sector. The underlying narrative for these developments was that combating the financing of terrorism was inevitably wedded to more stringent controls governing money laundering generally.

For some, the recent proliferation of risk techniques in confronting terror is therefore rooted in a particular mode of governance and has more to do with making an uncertain future amenable to intervention and management.⁷⁰⁷ The concept of risk is now central to counter terrorism, yet the specifics of how we address risk in this context is unclear and has far reaching implications for how we apply it to public safety and national security. Are we now witnessing targeted governance with a focus on risk rather than discipline in which risk management templates consider individual citizens in the context of measurable risk

⁷⁰⁴ See EU Council Directive 95/46/EC

⁷⁰⁵ Vlcek, W., Op. Cit., p102

⁷⁰⁶ The enactment of the Anti Terrorism Crime and Security Act 2001 in the UK, the US PATRIOT Act and the 2nd and 3rd EU Money Laundering Directives all include provisions targeting terrorist property and enhanced compliance.

⁷⁰⁷ Amore L., & de Goede, M., Op. Cit. p8

factors that can be sorted, categorised and analysed accordingly?⁷⁰⁸ For Vlcek,⁷⁰⁹ the response of the state in addressing these developments has been overwhelmingly geared to benefiting law enforcement and intelligence services rather than permitting individual assessments of risk. This conceptualisation of reconciling liberty and security thus underscores the dilemma in shaping public policy, where value systems which are more individual centric, compete with notions of the collective good. Similarly those actors charged with protecting public safety and national security, are less inclined to consider the wider societal impact of these surveillance methodologies. Thus the net result of these exchanges is that the security imperative tends to predominate and the Panopticon vision articulated by Bentham prevails. In this environment, “pre-emptive security” has flourished and policy is formulated increasingly on the basis of suspicion and supposition.⁷¹⁰

Pre-emptive security by its nature, will require a radical reconfiguration of the law and the enactment of new legislation that seeks to legitimise supposition and suspicion.⁷¹¹ In addition, new surveillance infrastructures will be required and existing networks extended. Current practices now feature surveillance technologies and data-mining which are focused on pre-emption and accordingly, pre-emptive risk modelling and profiling now shifts surveillance practices towards screening the actions, behaviours and transactions of the wider population which is then applied for targeted interventions.⁷¹² Nowhere has risk become more prominent, than in the context of criminal justice where the current raft of police and Home Office strategies is underpinned by a commitment to utilise surveillance and emerging data technology to tackle crime and assist with harm reduction.⁷¹³ Indeed, in a contemporary sense, enhanced surveillance has emerged as a by-product of risk, which in turn is further, addressed through safety and security.

It is clear that public norms regarding privacy and consent have shifted in recent years. Many of the conclusions and recommendations in the Demos Report⁷¹⁴ regarding ethics,

⁷⁰⁸ Valverde M., & Mopas M., *Insecurity and the Dream of Targeted Governance*, 2004 Qtd in Amoore & De Goede (Eds.), *Risk and the war on Terror* Routledge, Taylor and Francis group, 2008, p9

⁷⁰⁹ Vlcek W., Op. Cit., p112

⁷¹⁰ Ericson, R. V. Op. Cit.

⁷¹¹ Ibid

⁷¹² Surveillance Studies Network, Op. Cit., p11

⁷¹³ The first links between police and social media started back in 2008, see *The UK Police and Social Media Partners. Partners in Crime?* www.socialmediatoday.com, 5th October 2012, accessed 28 February 2013.

⁷¹⁴ Demos Report Op. Cit.

law and public acceptability, can likewise be applied to the intrusive collection and use of financial intelligence. Though strictly regulated at present through judicial scrutiny when collecting financial information for evidential purposes, it is the harvesting of financial data for intelligence and insight purposes that is most vulnerable to enhanced regulation. The level of public debate about privacy and growing state intrusion varies across jurisdictions. Given that the public sector in the UK is increasingly making use of 'Big Data', a new data protection Code of Practice was published recently to advise on how to protect the privacy rights of individuals while dealing with ever larger and richer datasets.⁷¹⁵ Thus more understanding is required of how we can best harness the advantages which data collection and surveillance technologies now hold for public safety and security, whilst cognisant of erosions to privacy. The growth in these technologies will inevitably require new discourses on collection ethics to more fully understand these developments. Subsequent discussions regarding regulation must extend beyond the narrow confines of personal liberty and established notions of the 'public interest', which have defined the parameters of the debate to date. Intelligence gathering and the opportunities afforded through data collection are fundamental to effective law enforcement and public safety. The test therefore is to construct a collection template that adds investigative value and operational impact, yet recognises the attendant challenges posed to privacy, informed consent and justice.

⁷¹⁵ Burn-Murdoch, J., 'New Code of Practice to Minimise Privacy Risks in Anonymised Data', 21, November, 2012, www.guardian.co.uk accessed 28 February 2013

CHAPTER SIX

Conclusion and Recommendations

In light of emerging security threats, new structural configurations and most significantly, recent changes in the “economy of terror”, this thesis has sought to establish the contemporary relevance of finance in the terrorism equation, beyond its ‘key enabler’ status. The relationship between war and money is well documented, with Cicero’s aphorism⁷¹⁶ strongly resonant in Western responses to the financing of terrorism. Whilst the centrality of money in resourcing war has a rich heritage and been endorsed historically by Trivulzio⁷¹⁷ and Davenant,⁷¹⁸ recent changes in financing methodologies have challenged the continued relevance of CTF to combat these new international and domestic security threats. The objective of this thesis therefore, is to determine the efficacy of the UK approach to counter terrorist financing in light of these new threats and challenges. This invariably poses questions regarding the metrics used to determine the impact of these interventions.

The 'litmus test' for success and the goal set previously by the UK government's CTF community, is whether the “*financial aspects of the terrorist threat are better understood and whether the financial tools deployed [are] increasingly effective in tackling them*”.⁷¹⁹ The research question therefore has sought to understand the nature and scope of the terrorist finance threat to the UK. It has focused on eliciting greater clarity on current domestic and international terrorist finance requirements and on highlighting key challenges and future vulnerabilities. It also considers whether the public policy response and the state's intelligence, investigation and disruption techniques are delivering the required operational impact. As such, this thesis has examined the UK approach to counter terrorist financing in the broadest terms by considering the structures, strategy and narratives that have shaped UK policy and operational strategy.⁷²⁰

⁷¹⁶ See 'Introduction and Thesis Outline' and Cicero, M. T., Op. Cit., p249

⁷¹⁷ Trivulzio, G, Marshall of France, 1499, in Munkler H., 'The New Wars', Polity Press, 2005, p54 and Zubrin, R. 'How to Destroy OPEC' Infocus Quarterly, Fall 2008

⁷¹⁸ Davenant, C (1656-1714) 'An Essay Upon Ways and Means of Supplying the War' 1695, Jacob Tonson, 1701

⁷¹⁹ HM Treasury, Op. Cit., p39

⁷²⁰ See Thesis Chapter 3, p76 and Chapter 4, p94

It is acknowledged that the research design may be subject to criticism and accusations of ideological weakness and limitation given that it is based exclusively on an 'insider's' perspective.⁷²¹ Moreover, it is also recognised that further concerns may emerge regarding perceived professional bias, prejudice and the pursuit of vested interests on the part of those sampled. Insofar as the author is concerned, further caution is anticipated regarding notions of a strong professional empathy with the participants and a perceived lack of objectivity.⁷²² This however, should be considered against the ensuing trade-off that facilitates access to this 'closed' constituency of practitioners and the clear understanding of the need to guard against researcher bias and maintain the highest ethical standards.

In pursuing this approach, cognisance was given to four key ethical issues. First, who owns the data and how will it be disseminated? Second, what is the relationship between the researcher and those researched? Further acknowledgement was given to the protocols around informed consent. Finally and crucially, in the semi structured interview sessions in particular, due consideration was given to the nature of anonymity and the confidentiality accorded for participating individuals and their respective parent organisations.⁷²³

Clearly, insider research has attracted its share of adverse comment due primarily, to the issue of 'insider' as an 'actor' within the research setting. Indeed the notion of validity is complicated precisely by the relationship between the researcher and those researched.⁷²⁴ Concerns are often expressed on a number of levels. Will the researcher's inherent knowledge of the subject lead them to misinterpret data or make erroneous assumptions? Will the relationship with the subject impact negatively on the subject's behaviour? Further issues arise regarding whether the researcher's moral, political and cultural views may subconsciously distort the data.⁷²⁵

Brannick and Coghlan⁷²⁶ however, provide ample justification for the validity of insider

⁷²¹ De Lyser, D, 'Do you really live here? Thoughts on insider research' *Geographical Review* 91(1), 2001.

⁷²² Unler, S, 'Being an Inside Researcher While Conducting Case Study Research', *The Qualitative Report* Vol.17, 2012

⁷²³ Hoolihan, R., & Brooks, R. 'The Australian National Statement on Ethical Conduct in Research: application and Implementation for 'Insider' Research in Business' 2004, qtd in Galea, A., Op Cit

⁷²⁴ Galea, A, 'Breaking the Barriers of Insider Research in Occupational Health and Safety', *Journal of Health and Safety Research & Practice*, Vol 1, Issue 1, October 2009

⁷²⁵ Rooney, P, 'Researching from the Inside - Does it Compromise Validity?' A Discussion. See <http://level3.dit.ie/html/issue3/rooney>

⁷²⁶ Brannick, T., and Coghlan, D. 'In Defense of Being "Native": The Case for Insider Academic Research.'

research through recognised methods of reflexivity. They bolster this argument by highlighting the dividends that emerge from employing this method. In particular, they cite the benefits of articulating tacit knowledge that is often rich, deep and contextual. Whilst such knowledge is prone to becoming deeply segmented as a result of socialisation in an organisational system, it can in turn be reframed as theoretical knowledge.⁷²⁷ As such, this approach was considered particularly suitable in addressing the core research objectives in determining the efficacy of the current UK model for CTF.

Action to combat terrorism through financial tools has been an integral part of the “*Pursue*” strand of the UK Counter Terrorism Strategy.⁷²⁸ These finance interventions contribute to the Government’s wider understanding of the terrorist threat and support its efforts to “*create a more hostile environment for terrorists*” and to “*disrupt terrorist networks*.”⁷²⁹ Any assessment of impact must acknowledge the desire on the part of Her Majesty's Government to promote “*the effective disruption of specific terrorist targets (including financial facilitators of terrorism by developing the UK's capability to use financial tools to optimum effect*”.⁷³⁰ This thesis contends that using financial tools to optimum effect should now involve new approaches specifically around the exploitation of financial data and will therefore require a new suite of evaluation metrics.

Few articles have been published on counter terrorist finance policies in the UK and “*fewer still have attempted to evaluate their effectiveness*”.⁷³¹ Sproat⁷³² in particular bemoans the lack of qualitative and quantitative data on all aspects of the UK's CTF policies generally and highlights the dearth of convictions under the Part III provisions of the Terrorism Act 2000. Traditional evaluations typically focus on persons convicted under Sections 15-18 of the legislation⁷³³ as well as assets frozen or monies seized. However, focusing on these metrics alone is somewhat narrow and underestimates the full lexicon of CTF practice. Just

Organisational Research Methods, 10 (1) pp59-74, 2007

⁷²⁷ Ibid, p60

⁷²⁸ ‘CONTEST: The United Kingdom's Strategy for Countering Terrorism’ Op. Cit.

⁷²⁹ HM Treasury 2007, Op. Cit., p38

⁷³⁰ Ibid, p39

⁷³¹ Sproat, P ‘Counter-terrorist finance in the UK: a quantitative and qualitative commentary based on open source materials’. Journal of Money Laundering Control, Vol 13, Issue 4, 2010, p315-335

⁷³² Ibid

⁷³³ Part III, Sections 15-18 of the Terrorism Act 2000 deal specifically with terrorist financing and include fundraising, use and possession, funding arrangements and the laundering and concealment of terrorist property.

as Wittig⁷³⁴ argues for a wider approach to the study of terrorism related financial activity beyond the emphasis on the transit of monies, stressing instead value-chains and terror group interaction with benign socio-economic communities and evaluating terrorists as socio-political actors, the empirical evidence from this thesis similarly challenges the orthodoxies around CTF practice. Thus rather than focus on conventional approaches that address the generation, storage and movement of money per se, this thesis strongly advocates the operational value of financial intelligence and suggests that financial data will increasingly emerge as a key asset within CTF practice in combating terrorism more generally.⁷³⁵

This thesis adds to our existing knowledge through qualitative research derived from interviews with key policy officials and experienced CTF practitioners in the UK, specifically addressing current government responses, intelligence gathering and law enforcement interventions. It focuses on each of these areas and develops the theoretical framework on which this thesis is based, by considering '*Structures, Policy and Strategy*', '*Operational Effectiveness*' and the current suite of '*CTF Assets*' typically invoked to support these efforts. Finally the thesis charts those anticipated '*Future Challenges, and Vulnerabilities*' that are likely to emerge and shape the CTF agenda in the years ahead.

It sets the context by framing those key security challenges facing counter terrorism practitioners and considers the reliance on traditional responses to terrorist financing and the orthodoxy of using anti money laundering techniques for CTF. It also considers whether globalisation and enhanced multilateralism and international cooperation has forced terrorist groups to react to more robust regulation and scrutiny and by default, accelerated changes in structural configuration. Crucially, it acknowledges in Chapter 3, that structure is central to understanding the financing of terrorism and that choices governing organisational design, adaptation and composition are heavily influenced and determined by the sources and volume of funding available. Indeed, it is primarily the structural organisation of 'new terrorism' and the emergence of autonomous, financially independent cells and new micro-financing methodologies that pose significant challenges

⁷³⁴ Wittig, T ' *Understanding Terrorist Finance* ', p2, July 2011, Palgrave Macmillan

⁷³⁵ See Thesis Chapter 4, p119

and should therefore be included in future CTF impact assessments.⁷³⁶ As such, future CTF evaluation must include Key Performance Indicators around the collection and operational exploitation of financial intelligence assets in particular, as well as evaluating the use of strategic 'micro' finance interventions, given recent changes in terror group structure and financing.

This thesis thus acknowledges the decentralisation and mutation of the terrorist threat, the evolution and impact of technology and developments in globalisation and international cooperation that collectively offer both risks and rewards for CTF practitioners. Whilst developments in digital technology have transformed the financial landscape, principally through e-banking, retail foreign exchange and virtual payment systems, CTF nonetheless remains a key intervention in this new dispensation. CTF, as a discipline has evolved in scope and now comprises a matrix of criminal justice, intelligence and law enforcement intervention options. Crucially, emerging aspects of CTF practice have embraced these digital developments and will in future increasingly exploit the intelligence opportunities which this new environment affords.

This thesis therefore highlights the evolution of CTF practice beyond the narrow confines of an anti money laundering template to include a developing suite of measures that can be deployed to combat terrorist threats. CTF operational procedures in the UK now increasingly focus on the value of financial data to provide intelligence insight into persons of interest and to provide context for known conspiracies as well as post incident evaluations. When mapped over other digital intelligence platforms, financial information is fundamental to counter terrorism practice. The evidence from this study strongly endorses the emphasis now given by practitioners to financial data collection for wider counter terrorism application. It is the potential operational outcomes that have emerged from the harvesting of financial information that consolidates and contributes to our collective understanding of CTF as an enduring and viable operational asset and a “critical inhibitor” to terrorism. This thesis endorses CTF as a collective action issue, requiring high levels of coordination and cooperation among different agencies, and advocates enhanced partnership working with both public and private institutions at both national and

⁷³⁶ See Thesis Chapter 3, p77

international level. It therefore encourages the notion of a “seamless continuum” between law enforcement, intelligence agencies, government and the banking and commercial sectors to deliver operational impact.⁷³⁷ However, crucially, it also notes the limitations of those aspects of core CTF practice that directly target the interdiction of monies or value. In doing so, it clearly affirms that such efforts are largely disruptive and will at best merely frustrate and delay, rather than eradicate terror attacks completely.

Whilst this accords with the rather limited and one dimensional efficacy assessments that have questioned the impact of the wider financial 'war on terror'⁷³⁸ and the prognosis for future impact, this ignores recent developments in the digital landscape which have huge implications for financial intelligence collection and analysis. Indeed, Donohue's (2006)⁷³⁹ withering assessment of the impact of CTF efforts in the UK to undermine terrorist operations, now seems rather myopic given more recent developments in CTF practice. The “*dirty little secret*”⁷⁴⁰ from these efforts, may now be the considerable dividends that await from a more lateral and holistic application of measures from the CTF compendium that focus on financial intelligence collection and its use across all aspects of counter terrorism practice.

This thesis, whilst written from a UK perspective, further develops several themes posited in the 9/11 Commission Report almost a decade earlier.⁷⁴¹ The anticipated shift to “*smaller decentralized terrorist groups*” and the fact that “*some terrorist operations do not rely on outside sources of money and may now be self funding either through legitimate employment or low level criminality*”⁷⁴² clearly finds expression and endorsement in the empirical research in Chapter Four. What is significant however is that whilst the options for resourcing terrorism and insurgency continue to evolve, significant elements of the contemporary funding template can be traced to previous incarnations. This thesis advocates lessons learned from CTF practices used to combat the challenge from Irish Terrorist groups. In particular, it highlights the choices in targeting the terrorist financing

⁷³⁷ See Thesis Chapter 4, p122

⁷³⁸ See Heng, Yee-Kuang & Ken McDonagh, Op. Cit., p553

⁷³⁹ Donohue, L. K. Op. Cit, p390

⁷⁴⁰ Ibid

⁷⁴¹ ‘*The 9/11 Commission Report: Final Report of the National Commission on Terrorist Attacks upon the United States*’, W W Norton & Co, (US) July 2004.

⁷⁴² Ibid, p382

spectrum by advocating a more focused classification of 'macro' or 'micro' CTF options, depending on the nature of the threat. It champions the need for a greater understanding of emerging micro-financing methodologies and greater emphasis on micro-financing interventions in particular to address the challenge from new 'discreet' finance generation methods.

As highlighted in the preceding Chapter, there are surprising similarities between the Irish terrorist financing model and those methodologies used for Taliban and insurgent financing. This poses significant questions around lessons to be drawn from previous UK corporate knowledge and operational practices and their application for wider 'threat' finance interventions. Whilst recognising the need for further development and research, this thesis advocates greater consideration of military perspectives from 'Threat Finance Cell' modelling and greater use of emerging qualitative and quantitative tools for intelligence analysis and insight. Current UK CTF structures and strategy and specifically the governments principal CTF forum, the Terrorist Finance Action Group (TFAG), would doubtless benefit from Ministry of Defence perspectives in addressing both domestic and international terrorist financing threats.

Therefore, having considered the value added to overarching UK counter terrorist strategies, this thesis strongly advocates greater emphasis on intelligence-based strategies and financial intelligence collection specifically. It encourages continued emphasis and investment in financial and digital data collection to provide visibility on future potential funding platforms, behaviours and intentions, but primarily for impacting counter terrorism generally. Going forward, CTF practice is therefore likely to focus less on traditional anti money laundering approaches to terrorist financing and instead consolidate the intelligence windfalls that emerge from enhanced data streams.

In conclusion, this thesis affirms the elevation of financial intelligence as key aspect of contemporary CTF practice. The emphasis and increasing reliance on FININT, particularly when fused with SOCMINT and other digital platforms, will inevitably heighten privacy concerns. The challenge therefore is to construct an investigative and intelligence collection template that adds operational value, yet recognises the attendant challenges posed in reconciling liberty and security. Achieving this balance is vital if law enforcement and

intelligence services are to preserve their ability to integrate data streams with more conventional intelligence assets for the purpose of maintaining national security and public safety. Crucially however, this thesis also acknowledges the limitations of FININT to target the planning phase of terror plots. It is also cognisant of the futility of focusing on surveilling the financial system in the hope of detecting such conspiracies, given recent changes in funding methodology. Having considered orthodox approaches to CTF, predicated on an anti money laundering template and the centrality of transaction activity, this thesis advocates new lateral approaches to improve current CTF efforts and greater resilience testing of emerging financial products to include loans and credit facilities given the elevation of these facilities in resourcing UK domestic attack cells in recent years.⁷⁴³

Finally, this thesis, drawing on the empirical research into the most recent high profile terror attacks in the UK, confirms a notable shift in terrorist financing methodology in recent years. This underscores the trend towards increasing operational independence and financial autonomy. Most disturbingly perhaps, the scale of monies now required for attack planning is so modest that CTF investigations can no longer rely on financial indicators to identify such plots without specific intelligence or further grounds for suspicion. Indeed, the trend towards financial autonomy and more discreet and 'criminally sterile' funding methodologies, constitutes a watershed for CTF practitioners. Notwithstanding these challenges, this thesis strongly attests to the continued relevance of finance or more specifically, the 'financial footprint' to inform and provide intelligence insight for counter terrorism responses generally.

November 2013

⁷⁴³ See Thesis Chapter 5, p159-163. Operation Crevice 2004, Operation Theseus 2005 and Operation Overt 2006 confirmed the use of personal credit/ loans to fund these conspiracies.

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